Mainland Headwear Holdings Limited

(Stock code: 1100)

ANNUAL REPORT 2024

Contents

Corporate Information

DIRECTORS

Executive Directors

Mr. Ngan Hei Keung *(Chairman)*
Madam Ngan Po Ling, Pauline, *BBS, JP*
(Deputy Chairman and Managing Director)
Mr. James S. Patterson
Mr. Ngan Siu Hon, Alexander
(Chief Strategic Officer)
Mr. Lai Man Sing *(Chief Financial Officer)*
Mr. Andrew Ngan

Independent Non-executive Directors

Mr. Gordon Ng
Mr. Cheung Tei Sing, Jamie
Mr. Li Yinquan

COMPANY SECRETARY

Ms. Chan Hoi Ying

AUDITORS

PricewaterhouseCoopers
Certified Public Accountants
Registered Public Interest Entity Auditor

PRINCIPAL BANKER

Hang Seng Bank Limited
The Hongkong and Shanghai Banking Corporation Limited
The Bank of East Asia, Limited
Citibank, N.A.

REGISTERED OFFICE

Clarendon House,
2 Church Street,
Hamilton HM 11,
Bermuda.

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Rooms 2301–2305, 23rd Floor,
CTF Life Tower,
18 Sheung Yuet Road,
Kowloon Bay,
Kowloon,
Hong Kong.

BERMUDA SHARE REGISTRAR

Conyers Corporate Services (Bermuda) Limited
Clarendon House,
2 Church Street,
Hamilton HM 11,
Bermuda.

HONG KONG BRANCH SHARE REGISTRAR

Tricor Investor Services Limited
17/F, Far East Finance Centre,
16 Harcourt Road,
Hong Kong

COMPANY WEBSITES

http://www.mainland.com.hk

Chairman's Statement

Mr. Ngan Hei Keung
Chairman

Madam Pauline Ngan, ***BBS, JP***
Deputy Chairman and Managing Director

On behalf of the Board of Directors of Mainland Headwear Holdings Limited (the "Company"), I am pleased to present the annual results of the Company and its subsidiaries (collectively, "Mainland Headwear" or the "Group") for the year ended 31 December 2024.

OVERVIEW

In 2024, global geopolitical tensions persisted, economic growth in major European and American markets remained sluggish, and the planned imposition of additional tariffs by the United States on specific goods further complicated the international trade environment. Amid these challenging operating conditions, the Group actively optimized its global production layout, gave full play to its unique advantage of having multiple production bases in operation. It strove to enhance the production efficiency of its new plant in Mexico and acquired a Dutch licensed product development company to help expand its trading business in Europe and other overseas markets. At the two-pronged tactic, the Group gained growth impetus for achieving sustainable development.

Chairman's Statement

FINANCIAL REVIEW

Revenue of the Group for the year amounted to HK$1,474,488,000 (2023: HK$1,418,994,000), and gross profit was HK$455,482,000 (2023: HK$476,364,000), 4.4% less year-on-year. Gross profit margin narrowed by 2.7 percentage points to 30.9% (2023: 33.6%). Profit attributable to shareholders amounted to HK$57,074,000 (2023: HK$117,949,000), a 51.6% decrease year-on-year. The Board has resolved to recommend a final dividend of 5 HK cents per share for the year ended 31 December 2024 (2023: final dividend of 6 HK cents). Together with the interim dividend of 3 HK cents per share (2023: interim dividend of 3 HK cents), total dividend for the year amounted to 8 HK cents (2023: 9 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$191,793,000 and HK$720,625,000, respectively, as at 31 December 2024 (31 December 2023: HK$326,804,000 and HK$733,700,000, respectively).

BUSINESS REVIEW

Manufacturing Business

As one of the few manufacturers in the headwear market capable of quick production and delivery, the Group operates factories in Bangladesh, Mexico, and Mainland China, with each plant complementing the strengths of the others. Leveraging advanced automated production equipment and many skilled workers, the Bangladesh factory can produce 6,500,000 pieces of headwear and 300,000 pieces of accessories, such as belts, wallets, and backpacks, per month. The Mexico factory, which was completed at the end of 2023, boasts the geographical advantage of being close to the US market thus can quickly respond to the needs of North American customers. After months of giving staff training and adjusting production workflow, the plant expected to produce up to 1,000,000 pieces of headwear products a month by end of 2025. As for the Shenzhen factory, it focuses on design, product development and production support of the Group.

Although Europe and the US are facing uncertainties such as the continuing Russia-Ukraine war and economic growth slowing down, the procurement market had shown signs of recovery during the year. With the inventory backlog accumulated in previous years nearly fully cleared, buyers have resumed placing large numbers of orders. Seizing this opportunity, the Group was able to secure substantial orders and its manufacturing business grew. Revenue from the Group's manufacturing business for the year was HK$931,812,000 (2023: HK$821,760,000), an 13.4% increase year-on-year. The segment's operating profit climbed by 2.0% year-on-year to HK$190,576,000 (2023: HK$186,886,000) and revenue accounted for 63.2% (2023: 57.9%) to the Group's total revenue.

Chairman's Statement

During the year, the Bangladesh factory received a large number of orders for headwear products and began producing accessories such as wallets, belts and backpacks to be sold by the trading business. As production expanded, so did the economies of scale of the factory and in turn its gross profit margin. Operating profit rose by 15.2% year-on-year to HK$194,624,000 (2023: HK$168,952,000). As for the Mexico factory, which was still in the early production stage, the Group increased investment in technical support, staff training and management, and worked on optimizing production processes to gradually improve its production efficiency. The Shenzhen factory scaled down and incurred a one-off labor optimization cost from adjusting personnel deployment. During the year, the Mexico and the Shenzhen factories recorded operating losses of HK$71,013,000 (2023: HK$36,058,000).

As at 31 December 2024, the Bangladesh factory had approximately 7,400 employees (31 December 2023: approximately 7,600), and the Mexico and Shenzhen factories had approximately 430 employees and 120 employees, respectively (31 December 2023: 100 employees and 300 employees).

Trading Business

The Group's trading business focuses on distribution of headwear, and accessories including wallets, belts and backpacks in the European and American markets. To expand its market coverage and enrich its product portfolio, the Group implemented a number of strategic initiatives during the year, including acquiring a property in Missouri as a warehouse, and 55% equity interests in a Dutch licensed product development company with extensive experience in brand development and distribution of consumer products, to complement the operations of its other subsidiaries and create stronger synergies.

However, competition in the retail market intensified during the year, as many sportswear brands promoted their products in US hypermarkets, putting pressure on the Group's sales. In addition, some long-term retail customers suspended ordering, and that further affected the Group's sales performance. Taking into account sales from the acquired Dutch company, revenue from trading business dropped by 9.1% year-on-year to HK$542,676,000 (2023: HK$597,234,000), constituting 36.8% of the Group's total revenue.

Trading business continued to actively manage its budget during the year, but with distribution costs remaining high, its gross profit margin shrank by 2.0 percentage points year-on-year. In addition, with the Group having to make provision for the inventory of e-commerce business and assume an attributable operating loss from the acquired Dutch company, the trading segment recorded operating loss of HK$95,443,000 (2023: operating loss of HK$56,563,000).

Chairman's Statement

PROSPECTS

Looking ahead, international rivalry and challenges in the operating environment will continue. The United States frequently changing its tariff measures will also add uncertainties to global trade. Nevertheless, the Group remains cautiously optimistic about its prospects. With inventory near all digested in Europe and the United States, customers have increased procurement and are actively placing orders again. The Group will continue to optimize its business layout, promote synergistic development of its various businesses and grasp opportunities in the changing market.

For manufacturing business, the Group will continue to improve its operations and production efficiency. At the Mexico factory, after initial employee training and work process optimization, the production of basic style products has been stabilized. Its plan is to start putting out high-end products in the second quarter of 2025. Based on production progress at the plant and existing orders, the Group expects to see a significant improvement in operational efficiency of the factory in 2025.

Moreover, to mitigate geopolitical risks, the Group plans to further expand its production footprint and add production lines in Cambodia. It expects to lease a factory and start producing headwear products in Cambodia in the second half of 2025, putting out approximately 450,000 pieces of headwear a month. Leveraging the country's relatively affordable labor costs and geographical advantage, the new production lines will handle orders from European and US customers who need to adjust and shift their supply chains to regions outside Mainland China, as such it can enhance the Group's overall competitiveness in the global manufacturing market.

As for trading business, the Group will capitalize on the licensed product development strengths of the Dutch company it acquired to expand its market coverage from existing regions in Europe and the United States to the Middle East and Africa, aiming to obtain more brand licenses to broaden its revenue sources. Although the Group still needs to bear the loss attributable to the Dutch company in 2025, it believes, by integrating the resources of this new company and other subsidiaries of the trading segment, it will be able to unearth the potential demand in cross-regional markets, and the trading segment will realize sales and profit growth in the medium to long term. The Group will continue to refine its marketing strategies and strengthen cooperation and communication with retail customers to consolidate its leadership in the trading industry.

The Group is also conducting a comprehensive assessment regarding building a duty-free zone in the Mexican industrial park, analyzing the changes in political and economic situations and the synergies a cross-border supply chain may bring. It has already filed related applications with the local government.

Chairman's Statement

At the same time, the Group will continue to implement various cost control measures and streamline its operating structure to reduce expenses. The Missouri warehouse in the United States, which has been in use since the first quarter of 2025, has not only helped the Group save rental expenses for office and warehouse spaces, but also provided much room for it to improve operational efficiency and meet the needs of the trading business to develop.

Over the past 38 years, Mainland Headwear has made it through various economic cycles and challenges to become a market leader in the headwear manufacturing industry. Boasting market leadership, a diversified production layout, a broad product portfolio that covers from headwear to accessories, plus shrewd business insight, the Group is confident of overcoming different challenges and creating long-term value for customers and shareholders.

ACKNOWLEDGEMENTS

I would like to take this opportunity to extend my heartfelt gratitude to our shareholders, staff, customers and suppliers for their long-term support to the Group. Looking ahead, we will strive to further strengthen ties and achieve win-win with all stakeholders.

Ngan Hei Keung
Chairman

Hong Kong
26 March 2025

Management Discussion and Analysis

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2024, the Group had cash and cash equivalents, short-term deposits and a portfolio of liquid investments totaling Hong Kong dollars ("HK$") 196.0 million (2023: HK$331.0 million). About 45.1%, 16.4% and 12.8% of these liquid funds were denominated in United States dollars, Renminbi and Hong Kong dollars respectively and the remaining were mainly in Mexican Peso, Bangladesh Taka and Pound Sterling.

As at 31 December 2024, the Group had banking facilities of HK$905.4 million (2023: HK$842.7 million), of which HK$720.6 million (2023: HK$733.7 million) was not utilised.

The borrowings over equity ratio of the Group was 16.9% (2023: 13.8%). 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$33.4 million (2023: HK$145.4 million) the additions to plant and equipment to upgrade its manufacturing capability and expansion in the Mexico and Bangladesh factories. The Group incurred HK$134.1 million on acquisition and renovation of a warehouse in Missouri, the USA. The Group also incurred HK$4.3 million (2023: HK$2.3 million) on equipments and systems of Trading business.

The Group budgeted HK$152.6 million for capital expenditures in 2025, of which HK$145.8 million is estimated to be used for the construction of a warehouse and dormitory in Mexico and expansion in the Bangladesh and Cambodia under Manufacturing business. The Group also authorised a capital commitment of HK$6.8 million for the equipment upgrades for Trading business.

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

Management Discussion and Analysis

ACQUISITION OF A SUBSIDIARY

Pursuant to an agreement signed between Sharp Assets Limited ("Sharp Assets"), a wholly-owned subsidiary of the Company, and the sole shareholder of Difuzed B.V. ("Difuzed"), Sharp Assets acquired 55% issued share capital of Difuzed at a cash consideration of EUR 5,000,000 (equivalent to about HK$43,124,000).

Upon completion of the acquisition on 23 August 2024, Difuzed became a 55%-owned subsidiary of the Group.

EXCHANGE RISK

Most assets and liabilities of the Group are denominated either in Hong Kong dollars, United States dollars, Renminbi, Great British Pound, Mexican Peso, Euro and Bangladesh Taka. 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 2024, the Group employed 162 (2023: 357) employees in the PRC (include Hong Kong), 7,417 (2023: 7,631) employees in Bangladesh, 427 employees in Mexico (2023: 101) and a total of 194 (2023: 162) employees in the USA and Europe. The expenditures for employees during the year were approximately HK$398.0 million (2023: HK$342.8 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.

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Ngan Hei Keung

aged 69, is the Chairman of the Company and co-founder of the Group. Mr. Ngan is responsible for the production activities of the Group. Mr. Ngan obtained a bachelor degree from 福建農業學院 (Fujian Agricultural College) (now known as 福建農林大學 (Fujian Agricultural University, the "FA University")) in 1982 and currently is a guest professor of the FA University. Mr. Ngan has over 40 years of experience in the headwear industry. Mr. Ngan was a director of Yan Oi Tong in 2007. Mr. Ngan is the spouse of Madam Ngan Po Ling, Pauline, *BBS, JP* and the father of Mr. Andrew Ngan and Mr. Ngan Siu Hon Alexander.

Madam Ngan Po Ling, Pauline, *BBS, JP*

aged 65, is the Deputy Chairman and Managing Director of the Company and co-founder of the Group. She is responsible for the marketing activities of the Manufacturing Business. She has over 40 years of experience in the headwear industry. She is the member of the National Committee of CPPCC, the Executive Committee of the All-China Women's Federation, the Standing Committee Member of the All-China Federation of Returned Overseas Chinese, the Ex-officio Member and Ex-officio Executive committee of the Heung Yee Kuk New Territories, the Standing Committee Member of the Chinese General Chamber of Commerce, the Honorary President and Executive Vice President of the Hong Kong Federation of Overseas Chinese Association, the President Honoris Causa of the Hong Kong Young Industrialists Council, the Member of Advisory Board of the Po Leung Kuk, the Member of the Yan Oi Tong Consultancy Council, and the Permanent Honorary President of the Overseas Chinese Association in Bangladesh. She was the Hong Kong Deputy to the 12th and 13th National People's Congress, People's Republic of China, the chairman of Po Leung Kuk and Yan Oi Tong and the president of Hong Kong Young Industrialists Council. Madam Ngan is the winner of Young Industrialist Awards of Hongkong 2001. She was awarded the Bronze Bauhinia Star in the Hong Kong Special Administrative Region 2009 Honours List and JP (Justice of the Peace) title in 2013. Madam Ngan is the spouse of Mr. Ngan Hei Keung and the mother of Mr. Andrew Ngan and Mr. Ngan Siu Hon Alexander.

Mr. James S. Patterson

aged 54, was appointed as Executive Director of the Company in April 2009. Mr. Patterson graduated from the State University of New York at Buffalo, Buffalo, NY, USA and completed a Bachelor Degree in Economics. Mr. Patterson has been employed for more than 20 years with New Era Cap LLC ("New Era"), a US based company which is engaged in the global marketing, sale, and manufacturing of headwear and apparel. Mr. Patterson is the President of Global Operations of New Era.

Biographical Details of Directors and Senior Management

Mr. Ngan Siu Hon Alexander

aged 34, joined the Company in November 2014 and appointed as the Executive Director of the Company in 2015. Mr. Ngan was appointed as Chief Strategic Officer in February 2024. He graduated from Purdue University, West Lafayette, Indiana, USA with a Bachelor of Science degree in Economics. Prior to joining the Company, Mr. Ngan worked at a well-known investment bank in Hong Kong. He is the son of Mr. Ngan Hei Keung and Madam Ngan Po Ling, Pauline, *BBS, JP* and brother of Mr. Andrew Ngan.

Mr. Lai Man Sing, Thomas

aged 57, firstly joined the Company during July 1999 to May 2001, rejoined the Company in March 2008 and was appointed as Executive Director of the Company in December 2019. He is the Chief Financial Officer of the Company and in charge of the finance department. Mr. Lai obtained his first degree from London School of Economics and Political Science, University of London, UK and earned a Master degree in Business Administration from University of Western Sydney, Australia. He is a Chartered Financial Analyst (CFA) charterholder. He is also a fellow member of the Hong Kong Institute of Certified Public Accountants and a fellow member of The Australian Society of Certified Practising Accountants. He took senior financial position for sizable listed companies and worked in international accounting field for many years. Mr. Lai is presently an independent non-executive director of Fu Shek Financial Holdings Limited which is listed on the main board of the Stock Exchange of Hong Kong Limited.

Mr. Andrew Ngan

aged 37, was the non-executive director of the Company from July 2011 to June 2017. Mr. Ngan was appointed as Executive Director of the Company in January 2024. He is now the Continuous Improvement Director of the Group, responsible for enhancement of business development. Mr. Ngan graduated from the Carnegie Mellon University, Pittsburgh, USA. He completed a Bachelor of Science Degree in Information Systems in 2010. He is a Director of Po Leung Kuk since 2018. He is now the Committee Member of the Chinese People's Political Consultative Conference of Hunan Province, member of Hunan Youth Federation and director of the Hong Kong Youth Association of Fujian Overseas Friendship Association. He is the son of Mr. Ngan Hei Keung and Madam Ngan Po Ling, Pauline, *BBS, JP* and the brother of Mr. Ngan Siu Hon, Alexander.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Gordon Ng

aged 60, was appointed as an Independent Non-executive Director of the Company in September 2014. He obtained his Bachelor's degree in Microbiology and Biochemistry and Master's degree in Intellectual Property from University of London. He was qualified as a solicitor in England and Wales in 1993 and Hong Kong in 1994. He has been the Head of Corporate Finance/Capital Market, Asia of the Hong Kong Office of an international law firm since July 2013. Prior to that, he had been a partner of a number of international law firms. Mr. Ng is presently an independent non-executive director of China Energine International (Holdings) Limited and ZTE Corporation which are listed on the main board of the Stock Exchange.

Biographical Details of Directors and Senior Management

Mr. Cheung Tei Sing Jamie

aged 54, was appointed as Independent Non-executive Director of the Company in September 2023. He is also an executive director and the Vice Chairman of Somerley Capital Holdings Limited (HKEx: 8439) ("SCHL"). Mr. Cheung has over 20 years' experience in corporate finance. Mr. Cheung obtained a Bachelor of Commerce degree from The University of New South Wales and obtained from the Australian Graduate School of Management the degree of Master of Business Administration. Mr. Cheung is a member of CPA Australia. Prior to joining SCHL, Mr. Cheung worked in the audit department of Deloitte Touche Tohmatsu as an accountant.

Mr. Li Yinquan

aged 69, was appointed as Independent Non-executive Director of the Company in September 2023. He has been serving as independent non-executive director of Genertec Universal Medical Group Company Limited (HKEx: 2666) since June 2015, Million Cities Holdings Limited (HKEx: 2892) since June 2018, Hong Kong Shanghai Alliance Holdings Limited (HKEx: 1001) since July 2018, China Everbright Bank Company Limited (HKEx: 6818; SSE: 601818) since June 2020 and, China Resources Beverages (Holdings) Company Limited (HKEx: 2460) since October 2024. Mr. Li served respectively as the General Manager of Financial Department, Chief Financial Officer, Vice President of China Merchants Group, CEO of China Merchants Capital Investment Co., Ltd, a director of China Merchants Holdings (International) Company Limited, a director of China Merchants Bank Co., Ltd., a director of China Merchants China Direct Investments Limited from 2000 to 2017. Mr. Li also served as an independent non-executive director of Lizhi Inc. (NASDAQ: LIZI) from January 2020 to June 2021 and Kimou Environmental Holdings Limited (HKEx: 6805) from July 2019 to December 2022 and, China Agri-Products Exchange Limited (HKEx: 0149) from April to August 2024. Mr. Li received his bachelor's degree in economics from Shaanxi Institute of Finance and Economics, master's degree in economics from Graduate School of the People's Bank of China and master's degree in banking and finance for development from Finafrica Institute in Milan, Italy.

SENIOR MANAGEMENT

Ms. Maggie Gu

aged 47, first joined the Company during May 2003 to May 2008 and rejoined in February 2009. Ms. Gu is the Chief Operating Officer of the Company. She studied in United States of America, and graduated from the California State University Fullerton, with the degree of Bachelor of Arts in Communications. She managed the global marketing department with a reputable media company in US before she returned to Hong Kong. She is now responsible for the strategy formulation and direction of global marketing and business development of the Group and oversees the Company's daily operations.

Mr. Shah S. Anam

aged 67, is the Managing Director of Unimas Sportswear Ltd. in Bangladesh. Mr. Anam graduated from the Sam Houston State University of Texas USA. Prior to joining his family business Pro Sports Limited in 2008, Mr. Anam has been employed for more than 10 years with PaineWebber & Co (now UBS) a US based company which is engaged in the Investment banking and stock brokerage.

Biographical Details of Directors and Senior Management

Mr. Randall Gross

aged 69, joined Aquarius Ltd in 2001. He is now the Chief Executive Officer of Aquarius Ltd, H3 Sportgear, LLC and San Diego Hat Company. He has spent 6 years in Retail Management and has over 35 years of Accessories experience. He had worked for several worldwide, well-known accessories brands. He holds a Bachelor of Science in Business Management from Temple University.

Mr. Courtney Bush

aged 49, joined San Diego Hat Company in 1998. He is the Chief Operating Officer of Aquarius Ltd, H3 Sportgear, LLC and San Diego Hat Company. Mr. Bush has over 20 years experience in all aspects of the headwear and accessories business.

Mr. Raj Kapoor

aged 64, joined the Group in March 2005 when the Group set up its subsidiary in the UK. He is the managing director of the Group's Europe operations. Mr. Kapoor obtained a bachelor degree from the University of Newcastle Upon Tyne in the United Kingdom ("UK") and has over 20 years of experience in the headwear industry in Europe.

Mr. Michael Ball

aged 56, joined the Company in 2010. He is the sales director of the Group's Europe operations. He has more than 20 years experience in the sales and marketing of headwear products.

Mr. Lau Ka Fai, Edward

aged 58, joined the Company in February 2009. He was appointed as Senior Design Director of Company in February 2025. Mr. Lau graduated from the Hong Kong Polytechnic (now known as Hong Kong Polytechnic University) with a Bachelor of Arts in Fashion Design (with commendation). He holds a Master Degree in Business Administration in Management from Southeastern University Washington, DC. He is also a Diploma Member of the Chartered Society of Designers London. He has worked in creative and design areas within several global buying offices for more than 20 years and is now responsible for design and product development in the US and Asia.

Mr. Gilbert El-Kalaani

Aged 55, founder and CEO of Difuzed B.V. ("Difuzed") since 1994. Difuzed became a 55% owned subsidiary of the Group since August 2024. Mr. Kalaani studied Fine Arts and Economics. He has over 30 years of experience in the fashion and licensing industry, developing collections for most major international retailers globally in accessories and apparel.

Corporate Governance Report

The Company is committed to maintaining a high standard of corporate governance practices. The Board considers shareholders can maximise their benefits from good corporate governance. The Board is of the view that the Company had adopted the principles and complied with all code provisions set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 of the Rules (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") during the year ended 31 December 2024.

CORPORATE GOVERNANCE PRINCIPLES AND THE COMPANY'S PRACTICES

A. Directors

A.1. Board of Directors

An issuer should be headed by an effective board which should assume responsibility for leadership and control of the issuer and be collectively responsible for promoting the success of the issuer by directing and supervising the issuer's affairs. Directors should take decisions objectively in the interests of the issuer.

The major role of the Board is to direct and supervise the administration and management of the Group, establish its strategic directions and set business development plans. It authorises and delegates certain responsibilities to the chief executive and management for the day-to-day operation of the Group.

Regular Board meetings are held at quarterly intervals. In addition, special Board meetings will be held when necessary. Attendance of individual Directors at shareholders' meetings, board meetings, nomination committee meetings, remuneration committee meetings and audit committee meetings in 2024 are as follows:

		Shareholders' Meeting	Board Meeting	Nomination Committee Meeting	Remuneration Committee Meeting	Audit Committee Meeting
Number of meetings		2	4	2	1	2
Executive Directors						
Mr. Ngan Hei Keung	*(Chairman)*	2/2	3/4	2/2	N/A	N/A
Madam Ngan Po Ling, Pauline, *BBS, JP*	*(Deputy Chairman and Managing Director)*	2/2	3/4	N/A	0/1	N/A
Mr. James S. Patterson		0/2	1/4	N/A	N/A	N/A
Mr. Ngan Siu Hon, Alexander	*(Chief Strategic Officer)*	1/2	3/4	N/A	1/1	N/A
Mr. Lai Man Sing	*(Chief Financial Officer)*	2/2	4/4	N/A	N/A	N/A
Mr. Andrew Ngan (appointed on 4 January 2024)		2/2	3/4	1/2	N/A	N/A
Independent Non-executive Directors						
Mr. Gordon Ng		2/2	2/4	1/2	1/1	1/2
Mr. Cheung Tei Sing, Jamie		2/2	4/4	2/2	1/1	2/2
Mr. Li Yinquan		2/2	3/4	2/2	1/1	2/2

Directors are consulted to include matters in the agenda for regular Board meetings.

Corporate Governance Report

Dates of regular Board meetings are scheduled at least 14 days in advance to provide sufficient notice to give all Directors an opportunity to attend. For all other Board meetings, reasonable notice will be given.

Directors have access to the advice and services of the Company Secretary to ensure that Board procedures, and all applicable rules and regulations, are followed.

Minutes of the Board, the Audit Committee, the Remuneration Committee and the Nomination Committee are kept by the Company Secretary. Minutes are open for inspection at any reasonable time on reasonable notice by any Director.

Minutes of the Board and Board Committees have recorded in sufficient detail the matters considered by the Board and the Committees, decisions reached, including any concerns raised by Directors or dissenting views expressed. Draft and final versions of minutes of the Board are sent to all Directors for their comments and records respectively.

The Board shall resolve to provide separate independent professional advice to Directors to assist Directors to discharge their duties at the Company's expense.

A.2. Chairman and Chief Executive

There are two key aspects of the management of every issuer — the management of the board and the day-to-day management of the issuer's business. There should be a clear division of these responsibilities at the board level to ensure a balance of power and authority, so that power is not concentrated in any one individual.

Code Provision C.2.1 stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual.

Mr. Ngan Hei Keung is the Chairman of the Company. Mr. Ngan oversees the management of the manufacturing facilities of the Group and also provides leadership for the Board. He ensures that the Board works effectively and discharges its responsibilities, and that all key and appropriate issues are discussed by the Board in a timely manner. Mr. Ngan is also responsible to ensure that all Directors are properly briefed on issues arising at Board meetings and that all Directors receive adequate information, which must be complete and reliable, in a timely manner. Mr. Ngan is the husband of Madam Ngan Po Ling, Pauline, *BBS, JP*.

Madam Ngan Po Ling, Pauline, *BBS, JP* is the Deputy Chairman and Managing Director of the Company. She is responsible for the marketing activities of the Group's Manufacturing Business. Madam Ngan is the wife of Mr. Ngan Hei Keung.

The Board considers that there is adequate segregation of duties within the Board to ensure a balance of power and authority.

Corporate Governance Report

A.3. Board Composition

The board should have a balance of skills and experience appropriate for the requirements of the business of the issuer. The board should ensure that changes to its composition can be managed without undue disruption. The board should include a balanced composition of executive and non-executive directors (including independent non-executive directors) so that there is a strong independent element on the board, which can effectively exercise independent judgement. Nonexecutive directors should be of sufficient calibre and number for their views to carry weight.

The Board comprises six 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 independent Non-executive Directors, namely Mr. Gordon Ng, Mr. Cheung Tei Sing, Jamie and Mr. Li Yinquan. All Directors are expressly identified by categories of executive Directors and independent non-executive Directors, in all corporate communications that disclose the names of Directors of the Company.

The Company has complied with Rules 3.10(1) and 3.10(2) of the Listing Rules in relation to the appointment of a sufficient number of independent non-executive directors and an independent non-executive director with appropriate professional qualifications, or accounting or related financial management expertise. The number of independent non-executive Directors of the Company also represents at least one-third of the Board in compliance with Rule 3.10A of the Listing Rules.

According to Appendix 14 to the Listing Rules, it is recommended that serving more than nine years could be relevant to the determination of a non-executive director's independence. If an independent non-executive director serves more than nine years, any further appointment of such independent non-executive director should be subject to a separate resolution to be approved by shareholders.

Mr. Gordon Ng has been appointed as independent non-executive Director for nine year. The Company has received from Mr. Ng confirmation of independence according to Rule 3.13 of the Listing Rules. Mr. Ng has not engaged in any executive management of the Group. Taking into consideration of their independent scope of work in the past years, the Directors consider Mr. Ng to be independent under the Listing Rules despite the fact that he has served the Company for more than nine years. The Board believes that Mr. Ng's continued tenure brings considerable stability to the Board and the Board has benefited greatly from the contribution of Mr. Ng in relation to his extensive experience in legal field.

Apart from Mr. Gordon Ng, Mr. Cheung Tei Sing, Jamie and Mr. Li Yinquan being the other two independent non-executive Directors, have also provided annual confirmations to the Company in relation to their independence under Rule 3.13 of the Listing Rules.

Corporate Governance Report

Biographies which include relationships of Directors are set out in pages 10 to 13 of the annual report, which demonstrate a diversity of skills, expertise, experience and qualifications among members of the Board.

All Directors attended Corporate Governance training courses, or read the materials during the year under review.

The Chairman has held one meeting with all the independent non-executive Directors without the presence of other executive Directors to discuss the Company's business during the year under review.

A.4. Board Diversity Policy

The Company recognises that increasing diversity at the Board level will support the attainment of the Company's strategic objectives and sustainable development.

The Board has adopted a board diversity policy which sets out the approach to achieve and maintain diversity on the Board.

Pursuant to the board diversity policy, the Company seeks to achieve Board diversity through the consideration of a number of factors, including but not limited to cultural and educational background, ethnicity, professional experience, skills, knowledge and other qualities. The Company also takes into consideration its own business model and specific needs from time to time in determining the optimal composition of the Board.

For the year ended 31 December 2024, the Company maintained an effective Board comprising members of different genders, professional background and industry experience. The board diversity policy was consistently implemented during the year. As at the date of this annual report, the Board consists of one female and seven male Directors. The Board is of the view that the gender diversity in respect of the Board is satisfactory based on the board diversity policy.

The Company is committed to provide equal employment and promotion opportunities for all employees without regard to their genders, ages, religions and place of ancestry. In particular, the male to female ratio in the workforce level (including senior management) is approximately 1:0.9 as at the date of this annual report. The Board considers that the gender ratio is in line with the industry and the Company has achieved gender diversity in the workforce level. For further details in relation to the Company's employees, please refer to the Environmental, Social and Governance Report of the Company.

Corporate Governance Report

A.5. Appointments, Re-election and Removal of Directors — Nomination Committee

There should be a formal, considered and transparent procedure for the appointment of new directors to the board. There should be plans in place for orderly succession for appointments to the board. All directors should be subject to re-election at regular intervals. An issuer must explain the reasons for the resignation or removal of any director.

Code Provision B.2.2 stipulates that all directors should be subject to retirement by rotation at least once every three years.

According to the Company's bye-law No. 84, at each annual general meeting, one-third of the Directors for the time being (or, if the member is not three or a multiple of three, then the number nearest to but not greater than one-third) shall retire from office by rotation provided that every Director (including those appointed for a specific term, the Chairman of the Board and Managing Director of the Company) shall be subject to retirement by rotation at least once every three years.

All Directors of the Company have a specific term of appointment and all the Independent Non-executive Directors of the Company are subject to retirement by rotation and re-election in accordance with the Company's bye-law No. 84.

All Directors appointed to fill a casual vacancy or as an addition are subject to election by shareholders at the first general meeting after their appointment.

Mr. Andrew Ngan, who was appointed as Executive Director of the Company on 4 January 2024, attended training session on 2 January 2024, at which an external legal advisor provided legal advice on Hong Kong law as regards the requirements under the Listing Rules that are applicable to him as director of a listed company, his obligations as Directors and the possible consequences of making false declarations or giving false information to the SFC and the Hong Kong Stock Exchange. In respect of his appointment, he has confirmed his understanding of the information provided by the legal adviser.

The nomination committee was formed with specific written terms of reference in compliance with the Listing Rules as revised from time to time including the requirements as set out in Code Provisions B.3.1 (a) to (d). Other responsibilities of the Nomination Committee include reviewing the board diversity policy and the relevant objectives, reviewing the performance of the Directors in carrying out their responsibilities, and formulating, reviewing and implementing the nomination procedures of the Directors.

As at the date of this annual report, this Committee is chaired by Mr. Li Yinquan. The other members are Mr. Gordon Ng, Mr. Cheung Tei Sing, Jamie, Mr. Ngan Hei Keung and Mr. Andrew Ngan.

Nomination Committee has considered measurable objectives based on their professional experience and ethnicity to implement the board diversity policy. Such objectives will be reviewed from time to time to ensure their appropriateness and the progress made towards achieving those objectives will be ascertained. Nomination Committee will review the board diversity policy, as appropriate, to ensure its continued effectiveness from time to time.

Corporate Governance Report

A proposal for the appointment of a new Director will be considered and reviewed by the Board. All candidates must be able to meet the standards as set forth in Rules 3.08 and 3.09 of the Listing Rules. A candidate who is to be appointed as an independent non-executive Director should also meet the independence criteria set out in Rule 3.13 of the Listing Rules. In selecting and recommending candidates for directorship, the Nomination Committee takes into account a wide variety of factors, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge, length of service and any other factors that it may consider relevant and applicable from time to time.

A.6. Director Nomination Procedures

According to the Company's bye-law No. 85, other than a Director retiring at the meeting, a person may be eligible for election as a Director at a general meeting if such person is recommended by the Directors for election or if a member of the Company (other than the person to be proposed) duly qualified to attend and vote at the meeting proposes such person for election by timely lodging a notice of his intention together with a notice of such person's willingness to be elected at the head office or registration office of the Company. One candidates were nominated for directorship in 2024.

A.7. Responsibilities of Directors

Every director is required to keep abreast of the responsibilities as a director of an issuer and of the conduct, business activities and development of that issuer. Given the essential unitary nature of the board, non-executive directors have the same duties of care and skill and fiduciary duties as executive directors.

Every newly appointed Director of the Company is ensured to have a proper understanding of the operations and business of the Group and that he is fully aware of his responsibilities under statue and common law, the Listing Rules, applicable legal and regulatory requirements and the business governance policies of the Group. The Directors are continually updated with legal and regulatory developments, business and strategic development of the Group for discharging their responsibilities.

All independent non-executive Directors take an active role in Board meetings to bring in independent judgement to bear on issues of strategy, policy, performance, accountability, resources, key appointments and standards of conducts. They scrutinise the Company's performance in achieving agreed corporate goals and objectives, and monitor the reporting of performance. They also take the lead where potential conflicts of interests arise and serve the Audit, Remuneration and Nomination Committees.

Every Director is aware that he/she should give sufficient time and attention to the affairs of the Company.

Corporate Governance Report

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers 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 2024. Other employees of the Group who are likely to be in possession of inside information of the Company are also subject to the same dealing restrictions.

The Board also takes up the corporate governance function pursuant to the CG Code. During 2023, the Board has performed the following work in relation to corporate governance:

1. developed and reviewed the Company's policies and practices on corporate governance;
2. reviewed and monitored the training and continuous professional development of the Directors and senior management;
3. reviewed and monitored the Company's policies and practices on compliance with legal and regulatory requirements;
4. developed, reviewed and monitored the code of conduct and compliance manual applicable to employees and the Directors; and
5. reviewed the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

A.8. Board independence

The Company is of the view that board independence is important in good corporate governance and to ensure an effective operation of the Board. The Board has established mechanisms to ensure independent views and input from individual Director are conveyed to the Board to promote the objectiveness in decision making. In particular, the Company has adopted the following mechanisms:

1. as at the date of this annual report, the Board consists of nine Directors and three of them are independent non-executive Directors, which complies with the requirements of the Listing Rules that the Board must have at least three independent non-executive Directors representing at least one-third of the Board;
2. on an annual basis, all independent non-executive Directors are required to confirm in writing their compliance of independence requirements pursuant to Rule 3.13 of the Listing Rules, and to disclose the number and nature of offices held by them in public companies or organisations and other significant commitments;
3. the Nomination Committee assesses the independence of the independent non-executive Directors and review their annual confirmations on independence;

Corporate Governance Report

4. external independent professional advice is available as and when required by individual Directors at the Company's expense; and

5. all Directors are encouraged to speak freely and express their views without influence from other Directors during the Board meetings and/or Board committee meetings.

A.9. Supply of and Access to Information

Directors should be provided in a timely manner with appropriate information in such form and of such quality as will enable them to make an informed decision and to discharge their duties and responsibilities as directors of an issuer.

In respect of regular Board meetings, and so far as practicable in all other cases, an agenda and accompanying Board papers are sent in full to all Directors in a timely manner and at least 3 days before the intended date of a Board or Board Committee meeting.

Management are regularly reminded by the Company Secretary that they have an obligation to supply the Board and its Committees with adequate information in a timely manner to enable it to make informed decisions. The information supplied must be complete and reliable. The Board and each Director shall have separate and independent access to the Company's senior management.

All Directors are entitled to have access to Board papers, minutes and related materials. Where queries are raised by Directors, steps are taken to respond as promptly and fully as possible.

B. Remuneration of directors and senior management

B.1. The Level and Make-up of Remuneration and Disclosure

An issuer should disclose information relating to its directors' remuneration policy and other remuneration related matters. There should be a formal and transparent procedure for setting policy on executive directors' remuneration and for fixing the remuneration packages for all directors. Levels of remuneration should be sufficient to attract and retain the directors needed to run the company successfully, but companies should avoid paying more than necessary for this purpose. No director should be involved in deciding his own remuneration.

The Company has established a Remuneration Committee with specific written terms of reference as set out in Code Provisions E.1.2 (a) to (i) of the CG Code. The Remuneration Committee is responsible for making recommendations to the Board regarding the Company's remuneration policy, and for the formulation and review of the specific remuneration packages of all executive Directors and senior executives of the Group.

A majority of the members of the Remuneration Committee are independent non-executive Directors. This Committee is chaired by Mr. Gordon Ng. The other members are Mr. Cheung Tei Sing, Jamie, Mr. Li Yinquan, Madam Ngan Po Ling, Pauline, *BBS, JP* and Mr. Ngan Siu Hon, Alexander.

Corporate Governance Report

The Committee had considered the following proposals for the remuneration of Directors and senior management and made recommendation to the Board:

1. annual salary review policy;

2. offer of share options as part of the long term incentive schemes; and

3. performance related bonus.

The Group ensures that the pay levels of its employees, including Directors and senior management, are competitive and employees are remunerated based on their positions and performance. Key employees of the Group are also granted share options under the share option schemes operated by the Company.

Details of the amount of the Directors' emoluments for 2024 are set out in note 39(a) to the financial statements. Details of the share option schemes of the Company are set out in the Report of the Directors and note 29 to the financial statements.

The remuneration of senior management whose names appear in the 2024 and 2023 "Biographical Details of Directors and Senior Management" section are within the following bands:

	2024	2023
HK$1 — HK$500,000	**—**	—
HK$500,001 — HK$1,000,000	**2**	2
HK$1,000,001 — HK$1,500,000	**2**	2
HK$1,500,001 — HK$2,000,000	**0**	1
HK$2,000,001 — HK$2,500,000	**1**	1
HK$2,500,001 — HK$3,000,000	**2**	2

The Remuneration Committee is provided with sufficient resources, including access to professional advice, to discharge its duties if considered necessary.

No material matters relating to share schemes under Chapter 17 of the Listing Rules were required to be reviewed or approved by the Remuneration Committee during the year ended 31 December 2024.

Corporate Governance Report

C. Accountability and audit

C.1. Financial Reporting

The board should present a balanced, clear and comprehensible assessment of the company's performance, position and prospects.

Management has provided such explanation and information to the Board as would enable the Board to make an informed assessment of the financial and other information put before the Board for approval.

The Directors acknowledge their responsibility to keep proper accounting records and prepare financial statements of each financial period, which shall give a true and fair view of the state of affairs of the Group and of the results and cash flow for that period. In preparing the financial statements for the year ended 31 December 2024, the Directors have made judgements and estimates that are prudent and reasonable and prepared the financial statements on a going concern basis. The Directors, having made appropriate enquiries, are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Group's ability to continue as a going concern.

A statement by the auditor about his reporting responsibilities is included in the Independent Auditor's Report on pages 73 to 78 of the annual report for the year ended 31 December 2024.

The Board's responsibility to present a balanced, clear and understandable assessment extends to annual and interim reports, other price-sensitive announcements and other financial disclosures required under the Listing Rules, and reports to regulators as well as information required to be disclosed pursuant to statutory requirements.

C.2. Internal Controls

The board should ensure that the issuer maintains sound and effective internal controls to safeguard the shareholders' investment and the issuer's assets.

The Board is responsible for the Group's system of internal controls and for reviewing its effectiveness through the Audit Committee. The Board requires management to establish and maintain sound and effective internal controls. Review of the Group's internal controls covering financial, operational and compliance controls, and risk management functions on different systems is done on a systematic rotational basis based on the risk assessments of the operations and controls.

Corporate Governance Report

C.3. Audit Committee

The board should establish formal and transparent arrangements for considering how it will apply the financial reporting and internal control principles and for maintaining an appropriate relationship with the company's auditor. The audit committee established by an issuer pursuant to the Listing Rules should have clear terms of reference.

The Company has established the Audit Committee with specific written terms of reference which deal clearly with its authority and duties. The terms of reference of the Audit Committee have included the duties set out in Code Provisions D.3.3 (a) to (n) of the CG Code, with appropriate modifications where necessary. The Audit Committee has made available its terms of reference, on the website of the Company, explaining its role and the authority delegated to it by the Board.

As set out in the terms of reference, the Audit Committee is responsible for reviewing the financial reporting system and internal control procedures, annual report and financial statements and interim report.

The Audit Committee comprises three independent non-executive Directors of the Company and is chaired by Mr. Cheung Tei Sing, Jamie. External auditor attended one meeting in 2024.

The following is a summary of the work performed by the Audit Committee during the year:

1. reviewed external auditor audit committee report and management's response;
2. reviewed and recommended to the Board for approval of the audit fee proposal for 2023;
3. considered and recommended to the Board that the shareholders be asked to re-appoint the existing auditor as the Company's external auditor for 2024;
4. reviewed and approved the Group's internal audit plan for 2025;
5. reviewed internal audit reports, and risk management and internal control report and brought to the attention of Management on internal control issues and high risk areas;
6. reviewed the audited financial statements and final results announcement for the year 2023;
7. reviewed the interim report and the interim results announcement for the six months ended 30 June 2024;
8. reviewed the determination and reporting of key audit matters;
9. supported the Board in monitoring the performance of corporate governance, financial reporting, risk management and internal control systems; and
10. reviewed the risks raised during annual risk register execution and approved risk tolerance.

Corporate Governance Report

All issues raised by the Committee have been addressed by Management. The work and findings of the Committee have been reported to the Board. During the year, no issues brought to the attention of Management and the Board were of sufficient importance to require disclosure in the Annual Report.

The Board agrees with the Audit Committee's proposal for the re-appointment of existing auditor as the Company's external auditor for 2024.

The remuneration of the Group's external auditor is HK$2,870,000 for audit fees and HK$117,000 for other non-audit services.

Full minutes of Audit Committee meetings are kept by the Company Secretary. Draft and final versions of minutes of the Audit Committee meetings are sent to all members of the Committee for their comments and records respectively, in both cases within a reasonable time after the meeting.

The Audit Committee does not have a former partner of the Company's existing audit firm. The Audit Committee is provided with sufficient resources to perform its duties.

D. Dividend Policy

Policy on Payment of Dividend of the Company is in place setting out the factors in determination of dividend payment of the Company, the Company's long-term earning capacity and expected cash inflow and outflow, the frequency and form of dividend payments. The policy shall be reviewed periodically and submitted to the Board for approval if amendments are required.

Corporate Governance Report

E. Risk Management and Internal Control Report

E.1. Risk Management and Internal Control System

During the year, the Group has complied with the Code Provision D.2 of the CG Code by establishing appropriate and effective risk management and internal control system. The Board is responsible for the risk management and internal control systems of the Group and is responsible for reviewing their effectiveness on a regular basis. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

(i) Control Environment

The Group operates within an established control environment and it comprises four layers of roles and responsibilities to manage risk and internal control:

Role	Accountability	Responsibilities
High level review	Board	Overall responsibility for the Group's risk management and internal control systems; oversees the controls for strategic and operational risks and monitors the effectiveness of the existing control systems through Audit Committee.
Supervision	Audit Committee	Supporting the Board in monitoring the performance of corporate governance, financial reporting, risk management and internal control systems; reviews risks raised during annual risk register execute; approves risk tolerance.
Risk and control owner	Managers of headquarters and business units	Day to day execution and monitoring of internal control; strategic policies and operating guidelines formulation and execution.
Risk monitoring and communication	CFO, company secretary and internal audit team	Evaluation of risk management and internal controls to identify areas for improvement; monitoring of corporate governance disclosure, statutory and listing rules compliance; undertaking of investigations.

Corporate Governance Report

(ii) Risk Assessment

The Group's risk management process is embedded into our strategy formulation, business planning, capital allocation, investment decisions, internal controls and day-to-day operations. Management is responsible for performing risk assessments and owning the design, implementation and maintenance of controls. Finance Department, Human Resources Department, Compliance Department and external professionals provide assistance and expertise management to help it in undertaking its responsibilities. Major identified risks are recorded in the risk register which has been monitored and updated regularly to reflect the latest development of situations.

Executive Directors communicate regularly with each individual business unit/department heads to identify day-to-day operational risks and find ways to mitigate them if any.

Regarding financial risks, the Board approves Company's yearly financial budgets and reviews its operating and financial performance and key performance indicators against the budget on a semiannual basis. Management closely monitors the financial reports of each business unit on a monthly basis against budget to detect material deviation at business unit level. Board approval is required for all significant capital investment or acquisition decisions.

Chief Financial Officer, Company Secretary and Senior Human Resources and Administrative Manager work with external legal and financial advisors to review adherence to relevant laws and regulations, Listing Rules compliance, public disclosure requirements and our standards of compliance practices.

Corporate Governance Report

(iii) Control Activities

Among others, control activities include approvals and verifications, reviews, safeguarding of assets and segregation of duties. They are performed by personnel at different levels within the Group with the support of well-defined policies and procedures:

Top-level reviews:	Conducting review of performance versus budget. For all two business sectors (manufacturing and trading), monthly operation update and financial reports are discussed between business unit heads and Headquarters management to manage operational and financial risks. Besides, for manufacturing business units, monthly production quantity target and defect rate target are set to the factories. Biweekly KPI meetings and weekly production meetings are held to monitor the actual performance.
Information processing:	There are several built-in control functions on accuracy, completeness and authorization of transactions in the Company's ERP system and exception report can be generated for follow-up actions if required.
Physical controls:	Inventory and major fixed assets are safeguarded by designated personnel in specific locations and are subject to periodic checks.
Segregation of duties:	If situation allows, the Group divides and segregates duties amongst different people, to strengthen checks and minimize the risks of errors or abuses.
Dissemination of inside information:	In compliance with the Securities and Futures Ordinance (the "SFO") and the Listing Rules, the Group has established procedures for the handling and dissemination of inside information in an appropriate and timely manner, such as taking steps to ascertain sufficient details, conducting internal assessment of the matter and its likely impact on the Group, seeking professional advice when necessary and verifying the information. Unless it falls under any of the safe harbours provided in the SFO, the Company will disclose any inside information to the public as soon as reasonably practicable. Before the information is fully disclosed to the public, any persons who possess the knowledge of such information must ensure strict confidentiality and must not deal in any of the Company's securities.

Corporate Governance Report

(iv) Information and Communication

Information that gathered by business units from customers, suppliers, employees and relevant trade organizations and authorities are discussed internally and are shared with Hong Kong headquarters management formally or informally to facilitate decision making process. Management report to the Board the latest date status on performance, developments, significant risks and major initiatives and other relevant issues, and the Board, in turn, communicate to management what information it needs and provide directions and feedbacks. There are at least four Board meetings every year.

(v) Monitoring

Monitoring ensures that internal control continues to operate effectively. It involves assessment by appropriate personnel of the design and operation of controls and taking of suitable follow-up actions.

The Board and Audit Committee oversee the process, assisted by internal audit team. There are two audit committee meetings annually. Audit plan and internal audit report were reviewed and approved by the Audit Committee. No significant internal control weaknesses in 2024 is noted.

Our external auditor, PricewaterhouseCoopers, performs independent statutory audits of the Group's financial statements and reports to the Audit Committee any significant weaknesses in our internal control procedures which come to its notice during the course of the audit.

Overall Assessment for the Financial Year

1. The risk management and internal controls and accounting systems of the Group were in place and functioning effectively, and were designed to provide reasonable but not absolute assurance that material assets were protected, business risks attributable to the Group were identified and monitored, material transactions were executed in accordance with management's authorization and the financial statements were reliable to produce.

2. There was an ongoing process in place for identifying, evaluating and managing the significant risks faced by the Group.

3. The resources, qualifications, experience, training programs and budget of the employees of the Group's accounting and financial reporting teams were adequate.

4. The Board conducted a review of the effectiveness of the Group's risk management and internal control systems, which cover all material control systems, policies and procedures. In particular, the Board evaluated the (i) four-layer control environment established by the Group; (ii) risk assessment and management process; (iii) various control activities by personnel at different levels within the Group; (iv) information reporting and analysis system; and (v) monitoring processes by the external auditor, the Audit Committee and the Board. No material internal control defect was noted in the review.

Corporate Governance Report

E.2. Anti-corruption Policy

The Company adopts a zero-tolerance policy towards all kinds of corruption and bribery in all business dealings of the Group. It is fully committed to conducting business with integrity and in compliance with all applicable laws and regulatory requirements for the prevention of corruption and bribery. Corrupt practices may subject the Group and individual employees to potential criminal and civil liabilities, which may in turn cause substantial impact on the reputation and operation of the Group.

In order to promote the awareness of anti-corruption and enhance the integrity standard among the Group's employees, the Company has adopted an anti-corruption policy. All employees of the Group are required to observe the requirements stated in the policy and comply with the relevant code of conduct. During the year ended 31 December 2024, no material non-compliance with any laws and regulations in relation to the corruption, bribery and fraud concerning the Group and its employees had been identified.

E.3. Whistleblowing Policy

The Company is committed to achieving and maintaining the highest standards of openness, integrity and accountability. In order to enhance the efficiency in detecting and inhibiting any suspected misconduct, malpractice or irregularity, the Company has adopted the whistleblowing policy, which forms an essential part of the Company's risk management and internal control system. Pursuant to the policy, employees of the Group and any third parties (including customers and suppliers) are encouraged to make a good faith report of any actual or suspected misconduct, malpractice or irregularity concerning the Group in a confidential manner. The policy provides certain reporting channels to the employees and third parties and set out clear guidelines for the investigation processes and notification of results.

F. Delegation by the Board

F.1. Management Functions

An issuer should have a formal schedule of matters specifically reserved to the board for its decision. The board should give clear directions to management as to the matters that must be approved by the board before decisions are made on behalf of the issuer.

The Board is responsible for formulating overall strategy, monitoring and controlling the performance of the Group whilst managing the Group's business is the responsibility of Management.

When the Board delegates aspects of its management and administration functions to Management, it has given clear directions as to the powers of Management, in particular, with respect to the circumstances where Management shall report back and obtain prior approval from the Board before making decisions or entering into any commitments on behalf of the Company.

Corporate Governance Report

The Company has established schedules of Matters Reserved to the Board for Decision and Matters Delegated to Management. The Board shall review those arrangements on a periodic basis to ensure that they remain appropriate to the needs of the Group.

Matters Reserved to the Board for Decision include:

1. business plan;

2. financial statements and budget;

3. mergers and acquisitions and other substantial investments;

4. formation of board committees;

5. appointment and resignation of Directors; and

6. appointment and removal of auditors.

F.2. Board Committees

Board committees should be formed with specific written terms of reference which clearly set out the committees' authorities and duties.

Apart from the Audit Committee (particulars are disclosed under C.3), Remuneration Committee (particulars are disclosed under B.1) and Nomination Committee (particulars are disclosed under A.5), there are no other board committees established by the Board. Where board committees are established to deal with certain matters, the Board shall prescribe sufficiently clear terms of reference to enable such committees to discharge their functions properly. The terms of reference of board committees shall require such committees to report to the Board on their decisions or recommendations, unless there are legal or regulatory restrictions on their ability to do so.

G. Company Secretary

Ms. Chan Hoi Ying, the Company Secretary and an employee of the Company, confirmed that she has taken no less than 15 hours relevant professional training during the financial year. Ms. Chan reported to the chairman of the Board and is responsible for ensuring that the Board procedures, and all applicable laws, rules and regulations, are followed by the Directors.

Corporate Governance Report

H. Communication with shareholders

H.1. Effective Communication

The Board believes that effective and proper communications with shareholders play an important role in creating shareholders' value, enhancing the corporate transparency and establishing market confidence. It endeavours to maintain an on-going dialogue with shareholders. During the year ended 31 December 2024, the Company has established the following communication channels:

1. updating the latest news and development of the Company in the "investor relations" section of the Company's website;

2. publishing the corporate communications such as annual reports, interim reports and circulars in printed form and on the websites of the Stock Exchange and the Company at www.hkexnews.hk and www.mainland.com.hk, respectively;

3. holding annual and special general meetings, which acted as forums for the shareholders to make comments and exchange views with the Directors and the senior management of the Company. The chairman of the Board and the chairmen of the Audit, Remuneration and Nomination Committees attended the 2024 Annual General Meeting and were available to answer questions from shareholders; and

4. receiving enquiries from the shareholders, media and potential investors to the Company via the website of the Company at www.mainland.com.hk or directed to the Company's head office and principal place of business in Hong Kong at Rooms 2301 – 2305, 23rd Floor, CTF Life Tower, 18 Sheung Yuet Road, Kowloon Bay, Kowloon, Hong Kong.

At the 2024 Annual General Meeting, a separate resolution was proposed by the Chairman in respect of each separate issue, including the re-election of Directors.

In compliance with Code Provision F.2.2, the chairman of the Board shall attend and invite the chairmen of the Audit, Remuneration and Nomination Committees to attend the 2025 Annual General Meeting. The external auditor of the Company shall also attend the 2025 Annual General Meeting to answer questions about the conduct of the audit, the preparation and content of the auditors' report, the accounting policies and auditor independence.

The Company has reviewed the implementation and effectiveness of the shareholders' communication policy during the year and considered it to be effective.

Corporate Governance Report

H.2. Procedures for putting forward proposals at general meetings

Any shareholder who wish to put forward proposals at general meetings of the Company shall submit such proposals to the Board in writing for its consideration not less than seven days prior to the date of a general meeting through the Company Secretary.

The Company also published all corporate correspondence on the Company's website, www.mainland.com.hk.

H.3. Voting by Poll

The right to demand a poll was set out in the circular to shareholders of the Company dispatched together with the Annual Report. The results of the voting by poll would be published on the websites of the Stock Exchange and the Company respectively.

H.4. Convening of special general meetings on requisition by Shareholders

Shareholders shall have the right to request the Board to convene a special general meeting of the Company ("SGM"). In accordance with the Company's bye-law No. 58, members holding not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary, to require a SGM to be called by the Board for the transaction of any business or resolution specified in such requisition. The SGM shall be held in the form of a physical meeting only and within two months after the deposit of such requisition. If within twenty-one days of such deposit the Board fails to proceed to convene the meeting, the requisitionists themselves may convene such physical meeting in accordance with the provisions of Section 74(3) of the Companies Act 1981 of Bermuda.

I. Constitutional Documents

The latest bye-laws of the Company is available on both the websites of the Company and the Stock Exchange.

Report of the Directors

The directors of the Company (the "Directors") have pleasure in submitting their annual report together with the audited financial statements for the year ended 31 December 2024.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities and other particulars of the subsidiaries are set out in note 17 to the financial statements.

SEGMENTAL INFORMATION

Details of segmental information are set out in note 5 to the financial statements.

RESULTS AND APPROPRIATIONS

An interim dividend of 3 HK cents (2023: 3 HK cent) per share, totaling HK$12,877,000 was paid on 10 October 2024. The Directors recommend the payment of a final dividend of 5 HK cents per share (2023: 6 HK cents per share) in respect of the year ended 31 December 2024. Subject to the approval at the forthcoming annual general meeting, the final dividend will be payable on or after 20 June 2025 to the shareholders whose names appear on the register of members at the close of the business on 5 June 2025, being the record date for determination of entitlements to the final dividend.

To determine the identity of members who are entitled to attend and vote at the forthcoming Annual General Meeting which will be held on 23 May 2025, the register of members of the Company will be closed from 20 May 2025 to 23 May 2025 (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 19 May 2025.

To determine the identity of members who are entitled to the final dividend of the Company for the year ended 31 December 2024, the register of members of the Company will be closed from 2 June 2025 to 5 June 2025 (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 30 May 2025.

No arrangement has been made under which a shareholder has waived or agreed to waive any dividends.

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 170.

Report of the Directors

MAJOR CUSTOMERS AND SUPPLIERS

The information in respect of the Group's sales and purchases attributable to the major customers and suppliers respectively during the financial year is as follows:

	Percentage of the Group's total Purchases	Sales
The largest customer	—	43.7%
Five largest customers in aggregate	—	64.0%
The largest supplier	19.4%	—
Five largest suppliers in aggregate	53.2%	—

As at 31 December 2024, New Era Cap, LLC and, New Era Cap Company Ltd and affiliated companies, major customers of the Group, were affiliated companies of New Era Cap Hong Kong LLC ("NEHK"). NEHK holds 19.48% equity interest in the Company. Mr. Christopher Koch owns 75% of the issued share capital of NEHK.

Save as disclosed above, none of the Directors, their associates or any shareholder of the Company (which to the knowledge of the Directors owns more than 5% of the Company's share capital) had an interest in these major customers or suppliers.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment are set out in note 15 to the financial statements.

SHARE CAPITAL ISSUED IN THE YEAR

Details of the shares issued in the year ended 31 December 2024 are set out in note 27 to the financial statements.

RESERVES

Details of movements in the reserves of the Company during the year are set out in note 39(a) to the financial statements.

As at 31 December 2024, the Company's reserves available for cash distribution amounted to HK$781,707,000 (2023: HK$776,593,000) as computed in accordance with the Companies Act 1981 of Bermuda. In addition, the Company's share premium account of HK$169,606,000 (2023: HK$169,606,000) as at 31 December 2024 may be distributed in the form of fully paid bonus shares.

EQUITY LINKED AGREEMENTS

Share options granted to directors and selected employee

Details of the share options granted in prior years is set out in note 28 of the financial statements and "Share Options" section in this Report of the Directors. No share was issued during the year.

Report of the Directors

DONATIONS

The Group made HK$2,265,000 charitable and other donations during the year (2023: HK$3,754,000).

DIRECTORS

The Directors during the year and up to the date of this report were:

Executive directors

Mr. Ngan Hei Keung *(Chairman)*
Madam Ngan Po Ling, Pauline, *BBS, JP (Deputy Chairman and Managing Director)*
Mr. James S. Patterson
Mr. Ngan Siu Hon, Alexander *(Chief Strategic Officer)*
Mr. Lai Man Sing *(Chief Financial Officer)*
Mr. Andrew Ngan (appointed on 4 January 2024)

Independent non-executive directors

Mr. Gordon Ng
Mr. Cheung Tei Sing, Jamie
Mr. Li Yinquan

The Company has received from each of the Independent Non-executive Directors an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules and considers all the independent non-executive directors to be independent.

All the Directors are subject to retirement by rotation and re-election at the annual general meeting in accordance with the Bye-Laws No. 84 of the Company.

In accordance with the Company's Bye-Law No. 84, Mr. Ngan Siu Hon, Alexander, Mr. Lai Man Sing, and Mr. Gordon Ng shall retire by rotation at the forthcoming annual general meeting. All of the retiring Directors, being eligible, offer themselves for re-election.

DIRECTORS' SERVICE CONTRACTS

Each of Mr. Ngan Hei Keung, Madam Ngan Po Ling, Pauline, *BBS, JP*, Mr. Ngan Siu Hon, Alexander, Mr. Lai Man Sing and Mr. Andrew Ngan has entered into a service contract with the Company which may be terminated by not less than six months' notice in writing served by either party.

Each of Mr. James S. Patterson, Mr. Gordon Ng, Mr. Cheung Tei Sing, Jamie and Mr. Li Yinquan has entered into a service contract with the Company, which may be terminated by not less than three months' notice in writing served by either party.

Save as disclosed above, none of the Directors has an unexpired service contract with the Company or any of its subsidiaries, which is not determinable by the Group within one year without payment of compensation, other than normal statutory obligations.

Report of the Directors

DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS THAT ARE SIGNIFICANT IN RELATION TO THE COMPANY'S BUSINESS

Save as disclosed in note 37 to the financial statements and in the section "Connected Transaction" below, no other transactions, arrangements and contracts of significance to which the Company's subsidiaries or its parent company was a party and in which a Director of the Company and the Director's connected party had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year. The Company has complied with the disclosure requirements set out in Chapter 14A of the Listing Rule.

CONNECTED TRANSACTIONS

(i) Rent paid in respect of an office premise to directors were charged at a fixed monthly fee mutually agreed between the two parties as set out in the tenancy agreements entered into by the Company and the directors on 1 April 2022. This transaction is connected transactions as defined in Chapter 14A of the Listing Rules.

Pursuant to the adoption of HKFRS 16, this transaction is one-off connected transaction as defined in Chapter 14A of the Listing Rules. The Group recognised right-of-use assets and lease liabilities of HK$582,000 in relation to the leased premises respectively. The carrying amount of the right-of-use assets and lease liabilities as at 31 December 2024 are HK$49,000 and HK$50,000 respectively.

Rent paid in respect of office and warehouse premises to a shareholder of a subsidiary was charged at a fixed annual fee mutually agreed between the two parties as set out in the tenancy agreement entered into by the Company and a shareholder of a subsidiary on 23 August 2024. This transaction is connected transaction as defined in Chapter 14A of the Listing Rules.

Pursuant to the adoption of HKFRS 16, this transaction is one-off connected transactions as defined in Chapter 14A of the Listing Rules. The Group recognised right-of-use assets and lease liabilities of HK$11,460,000 in relation to the leased premises respectively. The carrying amount of the right-of-use assets and lease liabilities as at 31 December 2024 are HK$9,498,000 and HK$9,606,000 respectively.

The Company has complied with the applicable requirements in accordance with Chapter 14A of the Listing Rules.

(ii) On 11 November 2024, the Company renewed a manufacturing agreement (the "Manufacturing Agreement") with New Era Cap Hong Kong LLC ("NEHK"), pursuant to which NEHK agreed to purchase products from the Company with minimum purchase commitments for the five financial years ended 31 December 2029. Under the Contingent Purchase Deed, NEHK is entitled to require Mr. Ngan Hei Keung ("Mr. Ngan") and Madam Ngan Po Ling, Pauline, *BBS*, *JP*, ("Madam Ngan") who are executive directors and controlling shareholders of the Company to purchase up to 41,790,000 shares of the Company from subscription and exercise of the option and owned by NEHK over a six months period after a notice is served by NEHK, if NEHK have agreed to give purchase commitment under the Manufacturing Agreement on the occurrence of several events.

Report of the Directors

On 30 December 2024, independent shareholders of the Company approved the Manufacturing Agreement and the maximum aggregate annual value of supply transactions for the three years ending 31 December 2027 are HK$1,093,323,000, HK$1,202,656,000 and HK$1,322,919,000 respectively.

During the year ended 31 December 2024, affiliated companies of New Era purchased goods totalling HK$644,444,000 from the Group.

Due to the interest in and benefits that Mr. Ngan and Madam Ngan (who are connected persons of the Company as they are Directors) can derive from Contingent Purchase Deed, the Manufacturing Agreement (including the supply transactions, subscription and grant of option) will constitute connected transaction and continuing connected transaction under the Listing Rules.

The aforesaid continuing connected transactions have been reviewed by independent non-executive directors of the Company. The independent non-executive directors confirmed that the aforesaid connection transactions were entered into (a) in the ordinary and usual course of business of the Group; (b) either on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties; (c) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued an unqualified letter containing his findings and conclusions in respect of the continuing connected transactions disclosed by the Group as above in accordance with paragraph 14A.56 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

PERMITTED INDEMNITY PROVISION

At no time during the financial year and up to the date of this Report of the Directors, there was or is, any permitted indemnity provision being in force for the benefit of any of the directors of the Company (whether made by the Company or otherwise) or an associated company (if made by the Company).

The Company has taken out and maintained directors' liability insurance throughout the year, which provides appropriate cover for the Directors of the Group.

Report of the Directors

DIRECTORS' AND CHIEF EXECUTIVES INTERESTS IN SHARES AND UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY SPECIFIED UNDERTAKING OF THE COMPANY OR ANY OTHER ASSOCIATED CORPORATION

As at 31 December 2024, the interests of the Directors in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), which had been notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

Long positions in the shares and underlying shares of the Company

	Number of shares				
	Personal interest	**Other direct interest**	**Underlying shares**	**Total**	**Percentage of interest**
Mr. Ngan Hei Keung	—	232,583,400 *(notes 1, 2)*	47,040,000 *(notes 3, 4)*	279,623,400	65.16%
Madam Ngan Po Ling, Pauline, *BBS, JP*	39,698,400 *(note 2)*	192,885,000 *(note 1)*	47,040,000 *(notes 3, 4)*	279,623,400	65.16%
Mr. James S. Patterson	—	—	1,050,000 *(note 5)*	1,050,000	0.25%
Mr. Ngan Siu Hon, Alexander	—	—	2,100,000 *(note 6)*	2,100,000	0.49%
Mr. Lai Man Sing	—	—	1,050,000 *(note 7)*	1,050,000	0.25%

Notes:

(1) 192,885,000 shares are legally and beneficially owned by Successful Years International Co., Ltd., a company ultimately and beneficially owned by Mr. Ngan Hei Keung and Madam Ngan Po Ling, Pauline, *BBS, JP* as to 40% and 60% respectively.

(2) The 39,698,400 shares are beneficially owned by Madam Ngan Po Ling, Pauline, *BBS, JP* 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 NEHK, NEHK is entitled to require Mr. Ngan Hei Keung and Madam Ngan to purchase up to 41,790,000 shares on the terms and conditions of the said deed.

(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.

Report of the Directors

(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 short positions in the shares or underlying shares in, or debentures of, the Company or its specified undertaking or any of its associated corporations as defined in the SFO.

SHARE OPTION SCHEMES

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 31 December 2024, 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.

A summary of the principal terms of the Former 2011 Share Option Scheme and the Share Option Scheme are set out as follows:

Details	**Former 2011 Share Option Scheme**	**Share Option Scheme**
1. Purposes	The purpose of the Former 2011 Share Option Scheme is to enable the Group to grant options to selected participants as incentive or rewards for their contributions to the Group.	The purpose of the Share Option Scheme is to provide eligible participants with the opportunity to acquire proprietary interests in the Company and to encourage eligible participants to work towards enhancing the value of the Company and its Shares for the benefit of the Company and its Shareholders as a whole, as well as to motivate eligible participants to contribute to the success of the Group's operations.

Report of the Directors

Details	Former 2011 Share Option Scheme	Share Option Scheme
2. Qualifying participants	Eligible employees, including directors of, suppliers of goods or services to, customers of, persons or entities that provide research, development or other technological support or shareholders to, members of the Group or any interested entity.	Any employee participants, related entity participants or service providers which have contributed or may bring benefits to the Group.
3. Scheme limit	The total number of shares which may be issued upon exercise of all options to be granted under the Former 2011 Share Option Scheme may not in aggregate exceed 39,858,328, being 10% of the shares in issue of the Company as at 29 December 2011, the date of adoption of the Former 2011 Share Option Scheme. The Former 2011 Share Option Scheme expired on 28 December 2011 and no further Options can be granted under this scheme.	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) and being 10% of the shares in issue of the Company as at 26 March 2025.
4. Maximum entitlement of each participant	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 Former 2011 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.	Unless approved by shareholders in general meeting, the total number of Shares issued and to be issued upon exercise of options granted to any participant (including both exercised and outstanding options) under the Share Option Scheme or any other share option schemes of the Company in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue.
5. Option period	Option period of any option shall be determined and notified by the Directors to the grantee and shall be within 10 years from the date of offer of that option.	An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as the Board may determine, which shall not exceed 10 years from the date of grant subject to the provisions of early termination thereof.

Report of the Directors

Details	Former 2011 Share Option Scheme	Share Option Scheme
6. Vesting period	The options granted under the Former 2011 Share Option Scheme does not have any vesting period requirement.	The vesting period of share options granted under the Share Option Scheme shall not be less than 12 months. Notwithstanding that share options granted to employee participants may be subject to a shorter vesting period under circumstances and as deemed appropriate at the sole discretion of the Board, details of the circumstance are outlined in the circular of the Company dated 19 April 2024.
7. Acceptance of offer	Options granted must be accepted within 28 days of the date of grant, upon payment of HK$1 per grant.	Options granted must be accepted within 28 days of the date of grant, upon payment of HK$1 per grant.
8. Exercise price	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 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.
9. Remaining life of the scheme	The Former 2011 Share Option Scheme expired on 28 December 2021.	The Share Option Scheme shall expire on 23 May 2034, subject to early termination in accordance with the scheme rules.

At 31 December 2024, 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 represents 10% of the issued share capital of the Company.

Report of the Directors

At 31 December 2024, the Directors and employees of the Group had the following interests in options to subscribe for shares in the Company (market value per share is HK$1.60 at the balance sheet date) granted at nominal consideration under the share option schemes operated by the Company, each option gives the holder the right to subscribe for one share:

	Date of grant	**Period during which options exercisable**	**Exercise price** *HK$*	**Outstanding at 1.1.2024 and 31.12.2024**	**Market value per share at date of grant** *HK$*
Director	15.07.2015	15.07.2016–14.07.2025	1.066	1,050,000	1.066
	13.04.2017	13.04.2018–12.04.2027	1.460	8,400,000	1.429
				9,450,000	
Employees	15.07.2015	15.07.2016–14.07.2025	1.066	7,954,500	1.066
	13.04.2017	13.04.2018–12.04.2027	1.460	10,940,500	1.429
				18,895,000	
Total				28,345,000	

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

Report of the Directors

Substantial shareholders' interests and/or short positions in the shares, underlying shares of the Company

So far as is known to the Directors or chief executives of the Company, as at 31 December 2024, shareholders (other than Directors or chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company which were required to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Long positions in the shares and underlying shares:

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

Notes:

1. Successful Years International Co., Ltd. is owned by Mr. Ngan Hei Keung and Madam Ngan Po Ling, Pauline, *BBS, JP* as to 40% and 60% respectively. The interests of Mr. Ngan Hei Keung and Madam Ngan Po Ling, Pauline, *BBS, JP* in Successful Years International Co., Ltd. are also disclosed in the section headed "Directors' and Chief Executives Interests in Shares and Underlying Shares and Debentures of the Company or Any Specified Undertaking of the Company or Any other Associated Corporation" above.

2. Mr. Christopher Koch owns 75% of the issued share capital of NEHK. As such, Mr. Christopher Koch is deemed to be interested in the 83,581,050 shares.

Short positions in the underlying shares:

Name	Number of underlying shares	Percentage of interest
Mr. Christopher Koch	41,790,000 *(note)*	9.74%
NEHK	41,790,000 *(note)*	9.74%

Note:

Pursuant to the contingent purchase deed renewed on 17 December 2024 between Mr. Ngan, 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.

Report of the Directors

Save as disclosed above, as at 31 December 2024, 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 restriction against such rights under the laws of Bermuda which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

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

During the year ended 31 December 2024, 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.

SUFFICIENCY OF PUBLIC FLOAT

The Directors confirm that, based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has sufficient public float of at least 25% of the Company's issued shares as at 26 March 2025, being the date of this report.

AUDITORS

The financial statements have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board

Ngan Hei Keung
Chairman

Hong Kong, 26 March 2025

Environmental, Social and Governance Report

ABOUT THE REPORT

Mainland Headwear Holdings Limited and its subsidiaries (collectively, the "Group") operate a diverse range of businesses in the USA, Europe, Bangladesh, Mexico, and the People's Republic of China, including trading, e-commerce, franchised operations licensee, headwear and accessories, such as belts, wallets, and bags In 2024, the global economy was affected by geopolitics and economic recovery fell short of expectation. In a relatively sluggish macroeconomic environment, the Group leveraged its superior advantages in terms of production technology to stabilize its existing manufacturing and trading businesses, while also carrying out acquisition projects and improving plant operations in a timely manner to prepare for long-term sustainable development. In 2025, the Group will initiate new projects and seize opportunities to expand our production operations in different countries.

Reporting Standards and principles

This Report is prepared in accordance with Appendix C2 to the Main Board Listing Rules – "Environmental, Social and Governance Reporting Guide" and has complied with "comply or explain" provision in the Listing Rules.

The Group has prepared this Report in accordance with the following reporting principles:

- Materiality: Important and relevant information to stakeholders on different ESG aspects is covered in the Report. A materiality assessment was conducted to determine material ESG issues with results approved by the Board.

- Quantitative: The relevant standards, methodologies and assumptions used to prepare the quantitative information is disclosed, as appropriate. Quantitative information is provided with narrative and comparative figures, where possible.

- Consistency: Consistent methodologies are used to prepare and present ESG data in the Report, unless otherwise specified, to allow for meaningful comparisons.

- Balance: The information is presented without the inappropriate use of selections, omissions or other forms of manipulation that would influence a decision or judgment by the reader.

The Board's Responsibility and Governance Structure

The Board of Directors of the Company (the "Board") takes full responsibility for the sustainable development strategies, and reporting, evaluating and determining the risk of environmental, social and governance ("ESG") matters of the Group, and also ensures that there is an appropriate and effective risk management and internal control system of ESG matters. The Group has set up an ESG Team (the "ESG Team"), which comprises directors, senior management and respective employees. The ESG Team is to assess, prioritize, provide suggestions on the effectiveness of the sustainable development strategies and policies of the Group, and to report to the Board regularly for reviewing on its operation and provide materials for information disclosure of ESG matters. The Board reviews the list of material ESG issues and will ensure that appropriate risk mitigation measures are in place during the year.

Environmental, Social and Governance Report

Stakeholder Engagement and Materiality Assessment

The Group has set up a normalized stakeholder communication mechanism to ensure stakeholders are timely informed of the Group's operation status. We actively listen and respond to stakeholders' appeal and suggestions, to cement the relations of mutual help and trust with our stakeholders and jointly attain the vision of sustainable development. To determine the materiality of the selected ESG topics, the Group collected and analyzed the feedback of the stakeholder groups.

The topics of interest of the stakeholders and engagement channels are outlined below. After consulting the stakeholders and the discussions among senior management, the ESG aspects that are considered as most critical to our stakeholders are also included and will be addressed in further details in the rest of this report.

Key Stakeholders	Topics of interest	Engagement Channels	Critical interest
Employees	• Compensation and benefits • Training and development • Occupational health and safety	• Performance management • Training, seminars and briefing sessions • Staff communication • Intranet	• Ladder of advancement • Occupational health and safety • Training and development
Customers	• Products and service quality • Products safety and stability • Protection of privacy • Environmental friendly products	• Meetings and communications • Quality assurance process • Site visits • Email channel	• Products and service quality • Products safety and stability • Application of environmentally friendly materials in headwear and accessories
Shareholders	• Business strategies and financial performance • Corporate governance • Business sustainability	• Annual General Meeting and other general meetings • Investor and press conferences • Corporate communications including announcements, circulars, interim and annual reports	• Business strategies and financial performance

Environmental, Social and Governance Report

Key Stakeholders	Topics of interest	Engagement Channels	Critical interest
Suppliers	• Fair and open procurement • Certification of qualifications • Procurement of environmentally friendly materials	• Meetings and Communications • Regular supplier reviews • Requiring suppliers to complete qualification certification	• Fair and open procurement • Win-Win cooperation • Certification of qualifications • Procurement of environmentally friendly materials
Regulators	• Compliance with law and regulations • Anti-corruption • Whistle-blowing • Environmental protection, climate change	• Regular meetings and communications • On-site review • Management and staff training • Compliance reports • Whistle-blowing procedures • Waste & emission management	• Anti-corruption • Environmental protection, climate change • Management and staff training • Labor standards, child and forced labor
Communities	• Fair employment opportunities • Community involvement • Building a "Community of Common Destiny"	• Volunteer activities • Sponsorship and donations • Community outreach	• Anti-discrimination • Equal opportunity, diversity • Community involvement • Building a "Community of Common Destiny"

We highly appreciate and welcome feedback from our stakeholders on this report so that we may meet their interests and expectations more accurately in our next report. For any questions or comments, please contact us at headoffice@mainland.com.hk

Environmental, Social and Governance Report

COMPANY INTRODUCTION

Mainland Headwear Holdings Limited was founded in 1986 and listed on the Hong Kong Stock Exchange's Main Board in 2000. It is currently the only publicly-listed headwear manufacturer in the world.

Graph 1: Vision, mission, core value

Vision

To be the world's leader and premier provider in the headwear industry.

Mission

To create value for customers, generate opportunities for employees and benefit the community by designing, manufacturing and promoting a wide variety of headwear products.

Core Values

Customers come first	Aggressive and innovative	People-oriented	Serving the community

The Group, which is headquartered in Hong Kong, has three manufacturing bases: one in Bangladesh, one in Mexico and the other in Shenzhen, China. The Group produces a comprehensive and exclusive range of headwear goods and accessories such as belts, wallets, and bags, which are primarily distributed with the United States being the largest market, followed by Europe.

The Group operates Trading business in Europe and the US through five subsidiaries, namely Drew Pearson International (Europe) Limited ("DPI"), H3 Sportgear LLC ("H3 Sportgear"), San Diego Hat Company ("SDHC"), Aquarius Limited (AQ) and Difuzed B.V..

Production site information	
Manufacturing site area	
Shenzhen Factory	80,000 sq.m
Bangladesh Factory	65,836 sq.m
Mexico Factory	16,723 sq.m
Production area	
Shenzhen Factory	19,000 sq.m
Bangladesh Factory	38,849 sq.m
Mexico Factory	13,635 sq.m
Total production Capacity	7,300,000 pcs/month

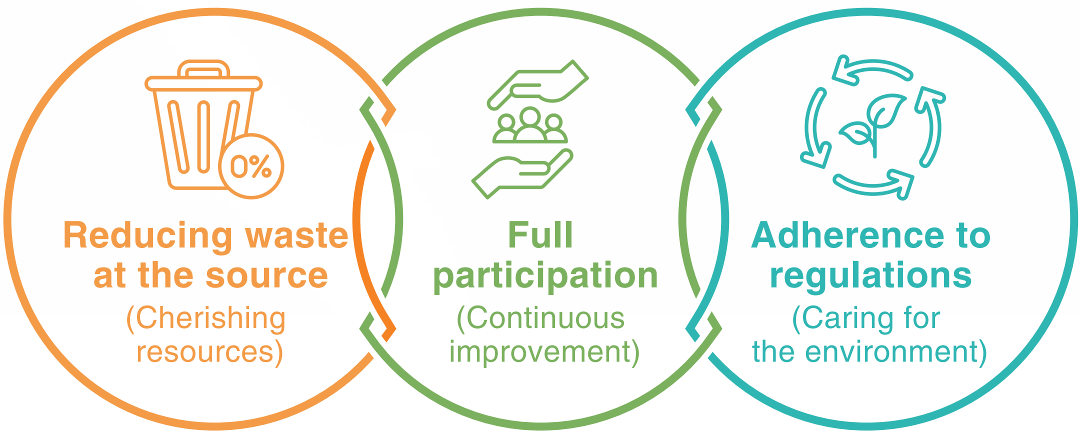
Environmental, Social and Governance Report

ENVIRONMENTAL

As a responsible headwear business participant, the Group strives to guarantee that our company activities are environmentally friendly, making every effort to minimize waste and emissions generated by daily operations and supporting services. We have set environmental protection standards for its production sites and a management system for independent factories.

During the reporting period, the Group has complied with all relevant laws and regulations that have a significant impact on the Group relating to environmental protection and emissions of gas, wastewater and solid waste.

Graph 3: The Group advocates an environmental-friendly practice in daily operation.



In alignment with the Group commitment to protect the environment and control the proper usage of the natural resources, we implement environmentally sustainable management at all stages of the value chain and throughout the entire life cycles of our products by reducing harmful emissions and waste, prevent pollution and minimize consumption of resources.

Emissions

The emission of the Group are air emissions, green house gas emissions, wastewater, solid wastes. In the year of 2024, the Group found no violations with laws and regulations relating to the emission.

Air Emissions

The Group's air emission mainly comes from the use of vehicles. The air emissions generated from vehicles use of the Group are mainly sulphur oxides ("SO_X") and nitrogen oxides ("NO_X"). For detailed data, please refer to Table 1.

Greenhouse gases

In 2024, the group's total greenhouse gases emission is 8,726.62 tonnes CO_2e. The dominant contributors are the indirect emissions that stemmed from the use of electricity and transportation (90%). The others (10%) are direct emissions from the use of fuels and refrigerants.

Carbon dioxide, methane, and nitrous oxide are the primary sources of greenhouse gas (GHG) emissions in our headwear manufacturing. They are generated by purchased power, supplemental electricity generators, motor vehicles, and septic tanks. All emissions were in accordance with applicable environmental laws, rules, and local regulations.

Environmental, Social and Governance Report

The Group's newly added production facility, the Mexico factory, opened in December 2023 and will commence production in phases. The 2024 emission figures include newly added figures for the Dutch subsidiary and the Mexico factory.

The Group has formulated a greenhouse gas emission reduction policy, aiming to reduce the energy usage and greenhouse gases emission progressively:

Greenhouse Gases Reduction Strategies

Objective	Plan
Reduction of consumption of energy sources such as natural gas and diesel and raising energy utilization rates	1. Reusing condensed water at boiler feed tank. 2. Descaling boilers for better performance. 3. Regular maintenance of all generators. 4. Air and fuel ratio to be maintained. 5. Regular conversion chamber monitoring. 6. Replacing low-efficiency motors with high-efficiency motors. 7. Proper insulation of thermal systems (pipes, valves, and so on) 8. Installing steam traps on condensation pipes to limit the steam flow during ironing. 9. Adjusting fuel through analysers.
Reducing electricity consumption relating to indirect emission	1. Lowering the height of lighting fixtures. 2. Turning off equipment such as machines, lights and computers manually and/or by setting automatic computer programs at the end of the day and when not in use. 3. Replacing air-conditioning systems with energy-saving models and installing temperature/humidity control devices in HVAC systems. 4. Installing additional switches for lights for better control of zone segregation. 5. Regular thermal imaging inspections. 6. Turning off lights manually when not in use. 7. Improving production efficiency.
Using clean energy	1. Replacing fluorescent lamps with LED lamps. 2. Developing solar lamps using clean energy.
Raising employee awareness	1. Commencing training and putting up promotional posters in different parts of the factories. 2. Organizing relevant activities and encouraging employees to participate.
Continuous monitoring by third-party organizations	1. Continuously monitoring the values of the major emissions such as sulphur dioxide. 2. Issuing test reports.

The Group is aiming to control greenhouse gas emissions at a reasonable level while expanding production capacity and to implement more energy-saving and emission-reduction measures so as to reduce emissions as much as possible. As we have set up a series of strategies and engaged third-party organizations for continuous monitoring to control our emissions, we are optimistic that the GHG emission will not grow progressively in the next few years.

Environmental, Social and Governance Report

Table 1 – The values and comparison of the different types of emissions emitted by production facilities in FY2024 (with data of the Mexico factory newly added)

A table comparing the values of the different types of emissions emitted by our facilities						
			FY2024		FY2023	
Items	**Type of emissions**	**Units**	**Amount**	**Intensity (per employee)**	Amount	Intensity (per employee)
Air emissions	Sulphur oxide (SO_x)	g	**192.21**	**0.023**	258.42	0.03
	Nitrogen oxide (NO_x)	g	**38,444.05**	**4.688**	618.78	0.08
	PM	g	**37.50**	**0.005**	108.22	0.01
GHG emissions	Scope 1	Tonnes CO_2e	**863.52**	**0.105**	757.58	0.1
	Scope 2	Tonnes CO_2e	**7,863.10**	**0.959**	6,644.87	0.84

Wastewater

Owing to the nature of our business, our primary activities include cutting, embroidering, printing, flocking, ironing, and packaging, as well as delivering the final products. Wastewater produced in the offices mainly comes from the daily use from the staff. Wastewater is collected by drainage pipes and directed to the sewage treatment station within the factory, or discharged to municipal sewage treatment plant through drainage pipes. The amount of wastewater generated in 2024 is shown below. All factory waste emissions followed applicable environmental laws, rules, and local regulations. Environmental consequences are deemed insignificant.

Non-hazardous wastewater	132,333 m^3 (2023:161,711.58 m^3)

Environmental, Social and Governance Report

Wastes

Factory wastes are classified as follows: domestic waste, general industrial waste, statutory hazardous waste, and recyclable waste. Our factories' waste management plan is focused on proper waste removal, disposal, reduction, and recycling. All wastes shall be removed and disposed by a certified contractor recognized by the government in line with local regulations. The Group especially focuses on reducing the waste in the Bangladesh factory, where the amount of wastes reduced by 59.41 tonnes (8%) in 2024.

Waste Reduction Strategies

Objective	Plan
Reduce Waste	1. Training program to increase awareness on waste, Reduce waste generation (non- hazardous garbage) 2. By reusing waste (Electrical waste, Mechanical waste & some other reusable waste) 3. Raising production efficiency and quality (using automatic cutting machines, reducing the number of defects, reducing the replenishment of materials during the production process and so on)

Non-hazardous waste	386.51 tonnes (2023: 438.14 tonnes)

Table 1 – The amounts of the different types of emissions emitted by major production facilities in FY2024

Items	Type of emissions	Units	FY2024 Amount	FY2024 Intensity (Per employee)
Wastes	Non-hazardous Wastewater	m^3	132,333	16.138
	Non-hazardous waste	Tonnes	386.51	0.0471
	Statutory hazardous waste	Tonnes	21.9	0.0027

The Group aims to reduce or maintain the current level of different type of emissions at the stable level in the next 3 years in the future compared to FY2024.

Environmental, Social and Governance Report

1. Use of resources

As a responsible global citizen, we advocate for resource conservation. The Group's energy and resource consumption are summarized in the following.

Resource	Consumption
Electricity	13,166,898 kWh
Natural gas	199,337 m^3
Gasoline	48,864 litres
Diesel	134,870 litres
Water	168,178 m^3
Packing paper and plastics	450 tonnes

In 2024, the electricity consumption per product is 0.27 kWh (2023: 0.21 kWh) and the water consumption per product is 0.0035 m^3 (2023: 0.0035 m^3).

- ***Energy***

  The Group used energy mostly for general lighting, electrical equipment, backup power generation, and motor vehicles. Meanwhile, steam is supplied to our factory by electric and natural gas boilers. We have formulated and implemented a series of energy-saving measures and are committed to reducing our Group's energy usage through energy-efficient activities. At the same time, the Group intends to implement a comprehensive energy monitoring system to assist factories in identifying abnormal energy consumption and identifying opportunities for energy conservation.

  The Group will keep on monitoring the use of energy and encourage the staff to follow eco-friendly practices in their working place. With regular educations on the staff, we believe that the energy usage can be reduced in the future.

Environmental, Social and Governance Report

- ***Water***

The majority of polluted water in the facilities comes from employees' domestic water, industrial wastewater from washing and processing the soft and comfy headwear products, and preshrinking of cotton cloth. The Group employs rigorous water management practices with the goal of minimizing water use and increasing the usage of recycled water.

Our Shenzhen factory is equipped with specialized sewage treatment plants that handle industrial wastewater and residential water for future reuse depending on water quality and treatment requirements. The inspection institution designated by the local competent authority has been continued to conduct sampling and detection of discharged water in accordance with applicable laws, and wastewater is discharged in compliance with appropriate standards. In the year 2024, the proportion of recycled water used by Shenzhen factory was about 25%.

Ground Water Reduction Strategies

Objective	Plan
Reduce use of ground water	1. Reduce Rinse 2. Remove all leakage & install new valve where needed 3. Training program to increase awareness of using water 4. By practicing good housekeeping 5. Using Trigger Nozzle on pipe head for cleaning 6. By installing low flow tap. 7. Regularly monitoring the maintenance of water supply pipelines 8. Raising production efficiency

Usage of raw materials and packing materials

The headwear industry's raw materials are classified into two categories: headwear body materials and headwear brim materials. The factory maintains regular contact with brand customers and suppliers when it comes to raw material selection, ensuring that materials meet the quality standards specified by brand customers. Additionally, materials shall be inspected in accordance with the customer's list of prohibited and restricted substances, as well as relevant requirements of the American Society for Testing and Materials and the countries to which customers belong, and jointly explores the application of environmentally friendly materials in headwear with the customer. The Bangladesh factory has obtained the GRS Scope Certification.

Our operations primarily utilize carton boxes, paper tags, and packing plastics, and have started to use recyclable, biodegradable and compostable materials and packaging. We continue to make efforts to keep our packaging materials to a minimum in order to minimize waste generation. Around 2,005 tonnes of packaging materials were used during the reporting period. 41.74 grams of packaging material was used per unit of product.

Environmental, Social and Governance Report

2. Natural Resources

The Group's main operations are devoid of soil contamination, water contamination, and forest destruction. We place a high value on environmental protection and natural resource management; we continue to strengthen environmental management while expanding our business; and we evaluate the environmental impact of our operations and choices. The Group is committed to raising environmental awareness through employee education and to take on a social responsibility for environmental conservation.

During the reporting period, the Group was unaware of any non-compliance with environmental laws and regulations that might have a serious impact on the Group.

3. Climate Change

Considering the growing urge for action on climate change issues that may affect our operations, the Group acknowledged our shared responsibility for minimizing the consequences of climate change and progress toward reducing our overall carbon footprint. The Group has formulated a climate change strategy, which encompasses climate risk assessment, energy efficiency upgrades, renewable energy integration, adaptation measures for extreme weather events, carbon accounting and emission reduction targets, stakeholder engagement, and continuous monitoring and improvement, in order to proactively address the potential impacts of climate change and reduce related risks. Throughout the reporting period, none of our services or output were impacted by severe weather events such as typhoons, flooding, heat waves, or tsunami. Nonetheless, the Group will continuously monitor potential threats to our business and improve our natural disaster risk management system, and be mindful of GHG emissions other than Scopes 1 and 2.

Environmental, Social and Governance Report

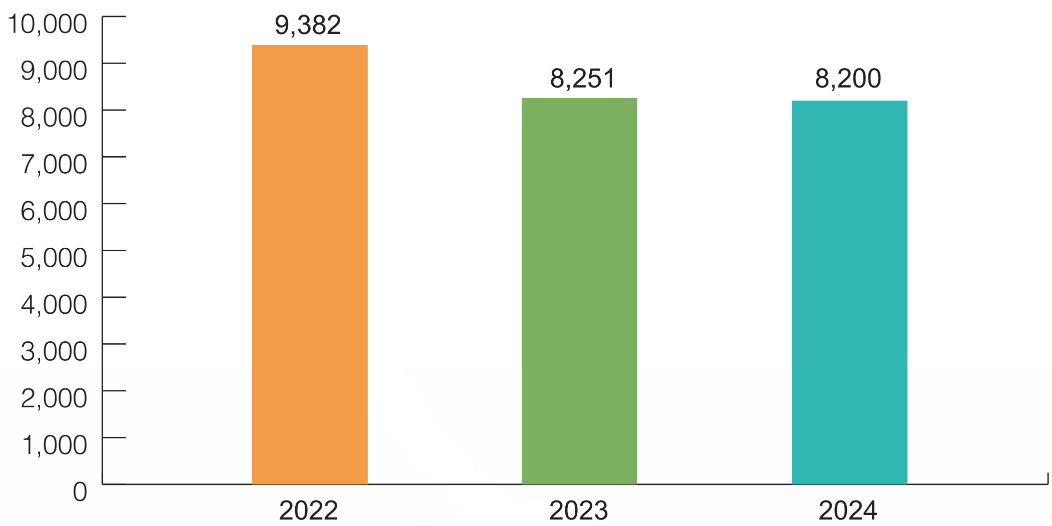
SOCIAL

The Group pursues a strategy of sustainable development by providing a safe and healthy work environment, as well as talent development and training, as well as by promoting and executing supply chain management regulations. We also encourage community involvement and participation, with the goal of achieving sustainable development and operation.

1. Employment

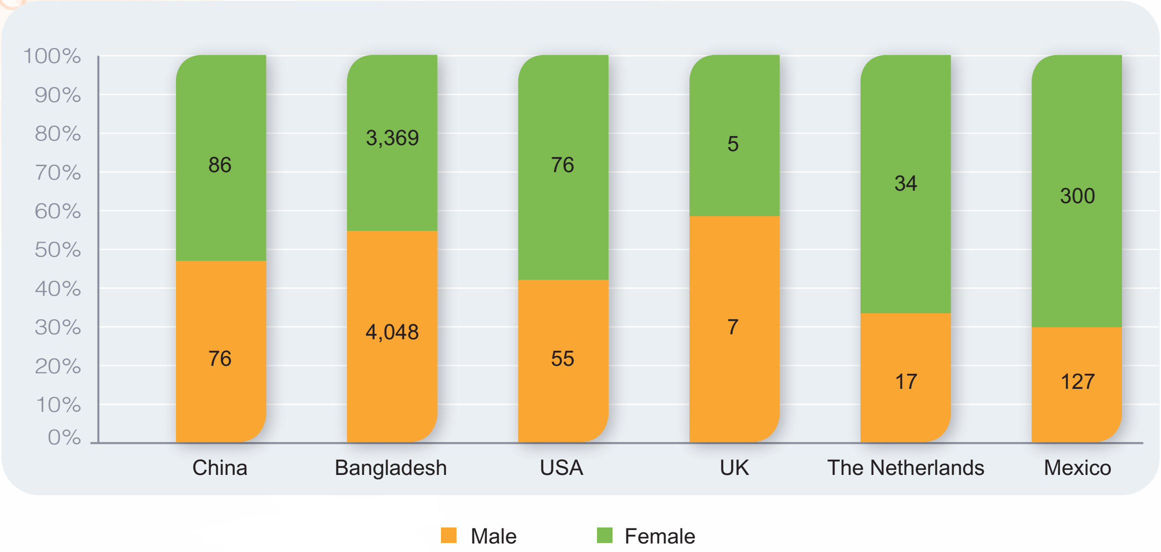
As a global leader in headwear manufacturing, our business network covers Asia, the United States, and Europe. As of 31 December 2024, we had a total of 8,179 full-time employees and 21 part-time employees.

Number of Employees

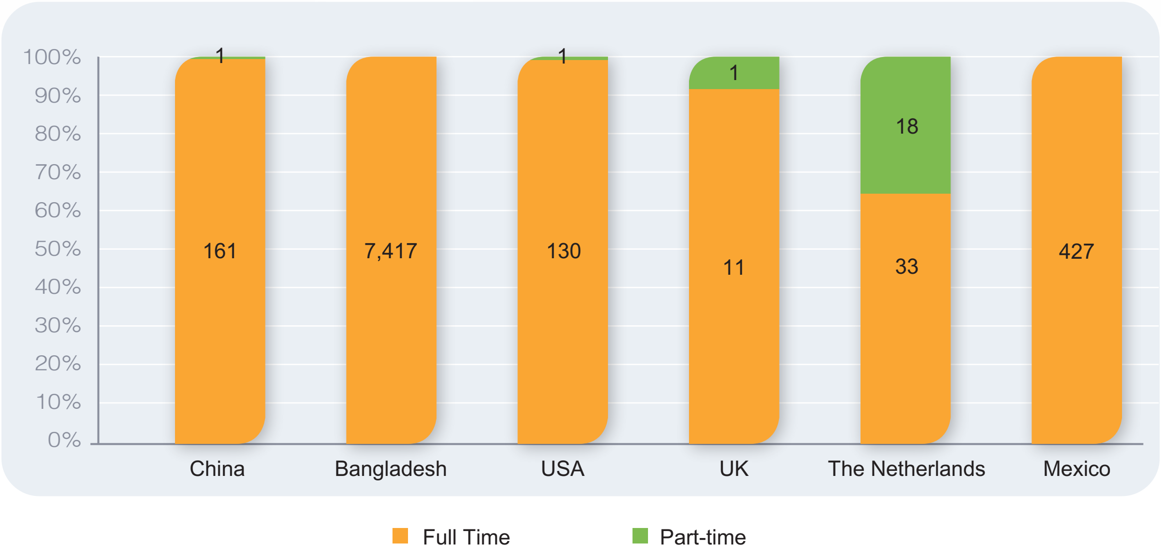


Environmental, Social and Governance Report

Gender Distribution



Employment Type



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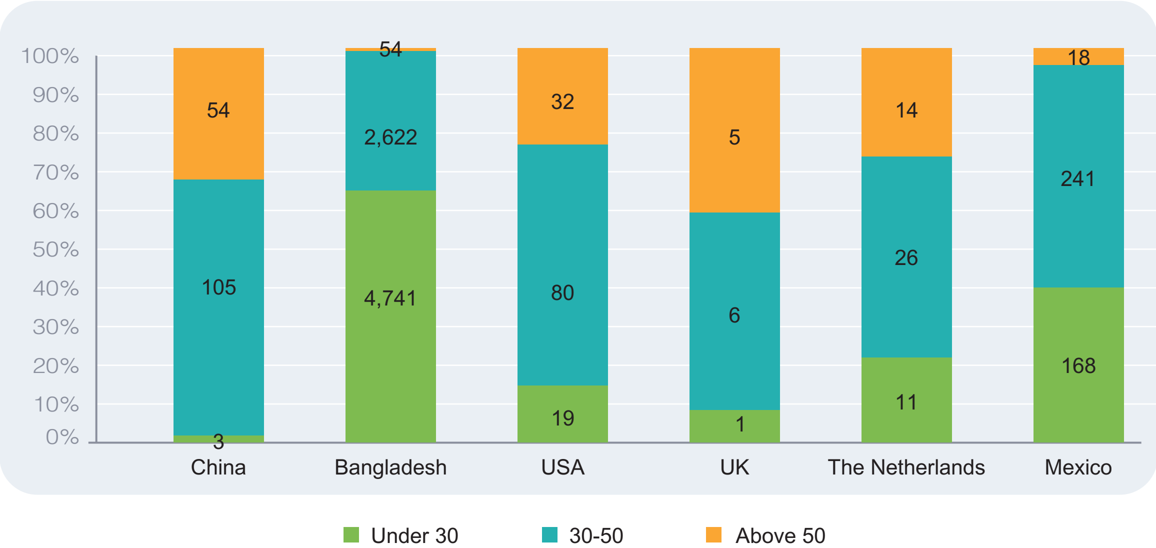
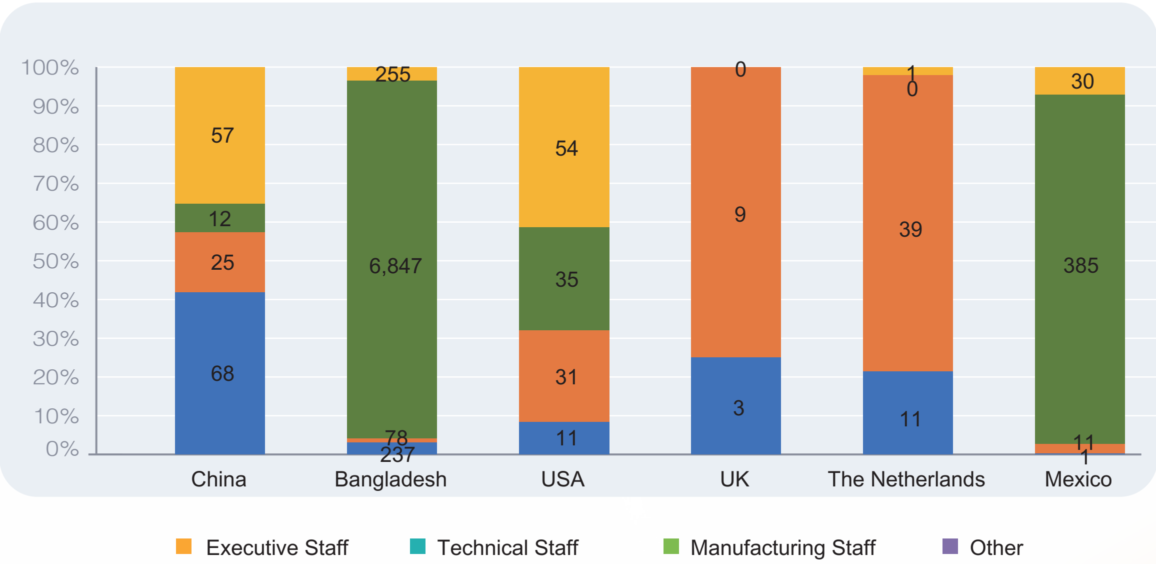
Age Group Distribution



Employee Category



Turnover rate according to gender, age, and region

Gender			Region			
	China	Bangladesh	USA	UK	The Netherlands	Mexico
Male	72.65%	3.27%	35.40%	0.00%	33.00%	32.30%
Female	86.22%	3.53%	34.88%	0.00%	67.67%	67.80%
Under 30	66.67%	3.89%	46.15%	0.00%	21.57%	54.80%
Age 30-50	75.54%	2.46%	30.56%	0.00%	50.98%	42.80%
Above 50	87.57%	4.21%	38.38%	0.00%	27.45%	2.50%

Environmental, Social and Governance Report

Employment Policy

The Group believes that its long-term success is dependent on the contributions of each employee. A series of policies, handbooks, and protocols have been implemented to assist in the development of an environment in which our employees are treated fairly and equally, with their rights and interests being respected. Throughout the reporting period, the Group was unaware of any non-compliance with applicable laws and regulations affecting employment, occupational health and safety, or labor standards.

- ***Equal opportunity***

  The Group acts as an equal opportunity employer, protecting employees' rights to work. No member of staff would face discrimination in the workplace based on gender, race, religion, age, disability, sexual orientation, nationality, political views, social community or ethnic background. We make recruitment and promotion decisions based on aptitude and on the basis of performance.

- ***Labor standards***

  The Group is dedicated to acting fairly and promoting human rights policies that are consistent with relevant local regulations and the International Covenant on Human Rights. The Group adopts and executes recruitment norms and policies that respect workers' rights and interests in the workplace.

- ***Child labour***

  The Group will not recruit child labor under the age specified by local regulations and will make every effort to avoid employing child labor during our course of business. Any child labor discovered on our facilities would be immediately returned to their hometown or native place, followed by our submission of relevant documentation to local authorities and discussion with the child's custodian regarding the child's return to school.

- ***No forced labor***

  In terms of working hours, the Group carefully complies to relevant national decrees or provisions of agreements with brand customers, respects the working hours of its employees, and provides leave to employees in compliance with the law. As operational need, the Group maintains a computer-based attendance system for human resource records to properly manage employees' working hours and leave, as well as to ensure employees' physical and emotional well-being. The Group arranges for employees to work overtime on their own initiative to avoid forced overtime, with extra labor and remuneration in accordance with domestic laws and regulations in each country. Our Group has adopted strictly on the precautions of any form of Forced Labour in our factories. We have written policy and procedures in place to ensure the effectiveness of its compliance. In case of the occurrence, we will take appropriate action to remediate the violation immediately and recognize the importance by providing training to all staffs at factory to ensure that this policy is understood and must be enforceable. In addition, there will be internal audits to trace the effectiveness of our Code of Conduct and social compliance system on regular basis.

Environmental, Social and Governance Report

- ***Remuneration***

  The Group provides reasonable remuneration and benefits to its employees in accordance with relevant law. Salary is determined using an integrated working hour system, with the base salary not being less than the standard minimum wage in the place of our business operations to meet the staff's basic necessities. Performance-based bonuses targeted to various staff levels to reward and retain a high-caliber leadership team. In addition, the Group provides employees with a variety of benefits, including medical insurance, meal subsidies, accommodation subsidies, birthday gifts, festival gifts, paid bereavement leave, flexible financial support, additional retirement funds, and more.

- ***Employee-employer communication mechanism***

  The right of employees to form associations for collective negotiation. Staff members are free to join a trade union or other organization of staff representatives, exercise their rights under the Articles of Association, engage in sincere and constructive negotiations on a voluntary basis and in good faith, and attempt to reach collective bargaining contracts and agreements.

  To improve communication between management and employees, various channels have been established, including a "Company Mailbox," a "Trade Union Mailbox," and a "Compliance Hotline," with the goal of comprehending and resolving employee concerns, listening to their voices, adopting improvement suggestions, and ultimately achieving a harmonious relationship between employee and employer.

  To address employee suggestions and complaints, the Group develops the following three channels of communication and reporting in accordance with the "Working Principle":

2. Health and safety

The Group believes that the safety of its customers and employees should always take precedence. Our factories in Shenzhen, Bangladesh and Mexico have taken every precaution to ensure the safety of our customers, employees, and corporate property. "Safety first and prevention utmost" is our guiding approach for safe manufacturing.

The factories in Shenzhen, Bangladesh and Mexico provide a comprehensive set of labor protection measures designed to foster a safe and healthy work environment favorable to employee health and performance. We also employ third-party professional organizations to test and continuously monitor our working environment, including air, noise, water quality, and so on. Additionally, the factories continue to promote safety, occupational health, fire and disaster prevention, and environmental responsibility. Our factories incorporate these concepts, as well as safety-related rules and regulations, into all aspects of their operations, including research and development (R&D), design, production, inspection, quality control, and service.

Environmental, Social and Governance Report

The Group pays comprehensive attention to the physical and mental health of our staff, providing annual occupational health checks for our staff, and has formulated a Psychosocial Risk Prevention Policy to safeguard the mental health of our staff. At the Shenzhen factory, the Group has tailored a Stress Relief Course to help the employees to relax and control their minds, and to learn how to relax and control their emotions.

The Group has not had a work-related fatality or day lost due to work-related problems in the last three years.

3. Development and training

Through training, the Group consistently improves the level of knowledge, skill, and initiative of its employees, enabling them to accomplish their goals and self-success. Trainings include in-house job training programs, workshops, frequent experience sharing meetings, online learning resources, external seminars, courses, and team building activities designed to supply the Group with qualified management employees, experienced technicians, and workers.

In 2024, the Company placed additional emphasis on the training of manufacturing staff at the newly added Mexico factory. All the newly hired manufacturing employees had to undergo at least 15 working days of training and only after passing the training can they work on the production line.

Total training hour of employees		
72,446		
Average training hours of Full-time employees		
19		
Average training hours of employees by gender		
Male	Female	
19	18	
Average training hours of employee by category		
Senior Management*	Middle Management	General Staffs
6	17	31
Percentage of employee trained by category		
Senior management	Middle management	General Staffs
100%	100%	100%

* The term senior management refers to the senior management of the local companies.

Environmental, Social and Governance Report

4. Supply chain management

The Group addresses supply chain challenges through risk management, responsible sourcing, supplier engagement and oversight. The Group's procurement activities are governed by a set of transparent and fair tendering procedures.

When it regards to supplier selection, the Group begins by screening prospective suppliers, followed by on-site audits by the internal auditor, competitive analysis by the purchasers, and lastly, committee vote. The rigorous screening process guarantees that shortlisted suppliers meet the Group's performance requirements, establish long-term strategic partnerships, and assist the Group in developing a high-quality supply chain management system. Tenderers must disclose any potential conflicts of interest and take a strong stand against fraud and misconduct. If a violation is discovered, supplier ties will be suspended or terminated. We always look for suppliers with green environmentally friendly qualifications and preferably choose partners that provide materials with recognized certifications (such as RCS, GRS, and (FSC).

No. of suppliers by region

China	Bangladesh	USA	UK	The Netherlands	Mexico
94	5	67	5	344	39

In addition to requiring suppliers to adhere strictly to regulations and standards regarding labor safety and health, human rights, and environmental protection, the Group requires suppliers to complete relevant qualification certification, and performs frequent evaluations of its suppliers, including a quarterly review of overall performance. Regular appraisals are based on five criteria: quality, pricing (cost), delivery, service, and environmental protection. Suppliers can use the appraisal results to continuously improve their operation performance.

5. Product Liability

The Group places a high value on our customers' interests and makes every effort to supply them with high-quality products and services. We believe that customer satisfaction is the largest single factor in driving our customer loyalty, market share and overall business success. As a market leader in headwear manufacturing, we offer consistent, new and better approaches based on customer needs. We use internal operational metrics, external benchmarking and customer feedback to measure our operational excellence. Throughout the year, the Group was unaware of any incidents of non-compliance with applicable laws and regulations having a significant impact on the Group's product responsibility. There have been no product recalls due to product safety concerns. The number of product complaints is negligible in comparison to the volume of manufacturing.

Environmental, Social and Governance Report

- ***Product responsibility***

  The Group's products shall pass the standard quality inspection required by customers and shall be packaged and labeled in a manner consistent with customer requirements and exporting countries' laws and regulations. Before products are stored in the warehouse and available for production, they are inspected and tested according to standardized inspection processes. To ensure that we meet our clients' needs, our overall manufacturing processes are monitored and audited by customers. When customers raise any concerns that require correction or improvement, immediate action is conducted and the results are reverted to the customers.

- ***Intellectual property rights***

  As a manufacturer of headwear, the Group respects the intellectual property rights of its brand customers and adheres scrupulously to their brand protection regulations. Intellectual property rights (for example, trademarks) are only applied to products within the scopes authorized by brand customers and are not used for any other unauthorized uses.

- ***Personal data protection***

  We are committed to protecting the privacy of individuals' personal information. We ensure that our policies and practices regarding the collection, use, retention, transfer, and access to personal data adhere to the provisions of Hong Kong's Personal Data (Privacy) Ordinance and in accordance with applicable local regulations. The purpose for collecting and retaining customer records is to provide customers with services, facilities, and commodities, to process payments and billings, to conduct product research and development, to conduct customer surveys and direct marketing, and for other operational purposes. Appropriate security measures are in place to prevent loss and unauthorized.

6. Anti-corruption

The Group adheres completely to all relevant local laws and regulations. When conducting business with counterparties, all employees are prohibited from directly or indirectly offering, promising to offer, requesting or receiving any improper benefits, or trying to take any other actions without sincerity and integrity, in any illegal way, or in breach of fiduciary duty. The Group conducts anti-corruption training for all levels of staff and actively promotes a culture of business ethics and integrity. For instance, bring local law enforcement officers to our factories to explain the applicable rules and regulations and the consequences of violations.

The Group discloses its business integrity policies on its internal website to ensure that our employees, suppliers, customers, and staff of other companies with whom we do business understand our attitude and standards of business integrity. Employees of the Group are obligated to explain the Group's rules and regulations on business integrity to business counterparties and to clearly reject any direct or indirect provisions in any manner or form.

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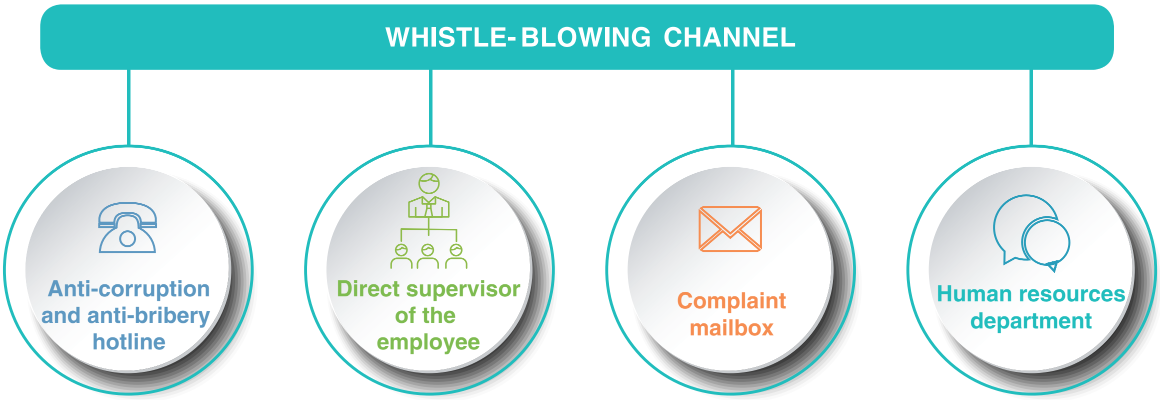
In 2024, the Group signed the ICAC's Business Sector Integrity Charter and appointed senior management as the "integrity officer" to assist in implementing and monitoring our integrity policies and good corporate governance, strengthen employees' integrity values, and promote a culture of integrity.



7. Community investment

We believe that our Group's greatest value is derived from the benefits we can create for the community. Apart from giving our best in the industry, we also volunteer our time, energy, and resources to support those in our community who are less fortunate. Our major focus areas are on women, children, elderly services, education, and public health. In 2024, the Company's employees participated in a number of charity donation activities of various kinds, giving their love to those in need of help in society. This year, the Company and the senior management, the Ngan family, donated millions of dollars to organizations such as the Hong Kong Federation of Overseas Chinese Associations, The Community Chest, Po Leung Kuk, and Yan Oi Tong. At the same time, the Group actively participated in disaster relief donations, giving support in disasters such as the earthquake in the Jishishan of Linxia, Gansu Province. In recognition of the Company's outstanding contribution to charity, the Group was presented the Award of Excellence by The Community Chest.

In 2024, the Bangladesh factory regularly donated 150,000 TK to the Mainland Orphanage Fund every quarter. In the third quarter, Bangladesh was hit by floods. Madam Ngan Po Ling, Pauline, *BBS, JP,* a member of the Company's management, donated 1,000,000 TK at once. Our Bangladeshi company and its staff donated 1,345,000 TK, purchased anti-epidemic materials and delivered them to the victims overnight. In addition to routine home visits and "lucky bag" giving activities, the mosque built with a donation of 25,000,000 TK from the Group was completed and opened in December 2024, benefiting tens of thousands of residents in the factory and nearby villages. The Mexico factory held a Christmas Donation event in December and donated gifts and cash to local charities, benefiting local children. The Shenzhen volunteer team gave back to the community by working at the gates of local schools to ensure traffic order and pupil safety.

Environmental, Social and Governance Report

The Group was presented the Award of Excellence by The Community Chest

The opening ceremony of the mosque built with donations from the Group

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EMPLOYEE CARE

1. The Company respects employees' freedom and promotes their individual development, and focuses on employees' mental health and welfare support. This creates a harmonious and pleasant atmosphere for employees to work in, fosters teamwork and enhances the Company's cohesion. In 2024, the Hong Kong headquarters held an annual dinner and regularly organized "Happy Hour" parties. The Company prepared exquisite meals and drinks so that employees could exchange ideas in a relaxed and pleasant atmosphere, adjust their working mood, relieve stress, and enhance cohesion among themselves. The Bangladesh factory held barbecue parties during festive seasons, where employees shared a good time. The Mexico factory threw a Christmas party at Christmas to provide employees with an opportunity to get together and showcase their talents. Local employees received Christmas gifts prepared by the company and took the initiative to perform, creating a vibrant atmosphere.

Annual dinner of the Hong Kong headquarters

Barbecue party of the Bangladesh factory

Christmas party of the Mexico factory

Environmental, Social and Governance Report

2. The Company is always committed to giving employees more care and attention. In 2024, the Company actively improved the working and living conditions of its employees. The Mexico factory is located in a desert area. The Company set up a water purification system in the Mexico factory to provide a safe, healthy, and clean source of drinking water, which is an improvement over the previous situation where employees had to buy drinking water and brought real convenience to employees.

Water purification system in the Mexico factory

Environmental, Social and Governance Report

AWARDS AND RESPECT

The public recognizes the Group's efforts in social and environmental areas. The Group won the following honors in 2024:

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ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING INDEX

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KPI A1.2	Direct and energy indirect greenhouse gas emissions and, where appropriate, intensity	"Environmental – Greenhouse gases"	50
KPI A1.3	Total hazardous waste produced and, where appropriate, intensity	"Environmental – Wastes" The Group generated no hazardous water	52-53
KPI A1.4	Total non-hazardous waste produced and, where appropriate, intensity	"Environmental – Wastes" "Environmental – Wastewater"	52-53
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KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them	"Environmental – Wastes" "Environmental – Wastewater"	52-53
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KPI A2.2	Water consumption in total and intensity	"Use of Resources – Water"	55
KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them	"Use of Resources – Energy"	54
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them	"Use of Resources – Water" There is no issue in sourcing water fit for purpose	55
KPI A2.5	Total packaging material used for finished products and, if applicable, with reference to per unit produced	"Use of Resources – Usage of raw materials and packing materials"	55
A3: The Environment and Natural Resources			
General Disclosure		**"The Environment and Natural Resources"**	56
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them	"Natural Resources"	56
A4: Climate Change			
General Disclosure		**"Climate Change"**	56
KPI A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them	No significant impact on climate change was noted	56

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Subject areas, aspects, general disclosures and Key Performance Indicators (KPIs)		Section	Pages
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KPI B2.2	Lost days due to work injury	No lost days due to work injury	61-62
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B3: Development and Training			
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KPI B3.1	The percentage of employees trained by gender and employee category	"Development and Training"	62
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KPI B4.1	Description of measures to review employment practices to avoid child and forced labour	"Employment Policy"	60
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KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored	"Supply Chain Management"	63
KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored	"Supply Chain Management"	63
KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored	"Supply Chain Management"	63

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B6: Product Responsibility			
General Disclosure		**"Product Responsibility"**	63-64
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons	No product sold or shipped subject to recalls for safety and health reasons.	63-64
KPI B6.2	Number of products and service related complaints received and how they are dealt with	No product and service related complaints received.	63-64
KPI B6.3	Description and practices relating to observing and protecting intellectual property rights	"Product Responsibility"	63-64
KPI B6.4	Description of quality assurance process and recall procedures	No product recalled	63-64
KPI B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored	"Product Responsibility"	63-64
B7: Anti-corruption			
General Disclosure		**"Anti-corruption"**	64-65
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the case	No concluded legal case regarding corrupt practices was noted.	64-65
KPI B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored	"Anti-corruption"	64-65
KPI B7.3	Description of anti-corruption training provided to directors and staff	"Anti-corruption"	64-65
Community			
B8: Community Investment			
General Disclosure		**"Community Investment"**	65-69
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport)	"Community Investment"	65-69
KPI B8.2	Resources contributed (e.g. money or time) to the focus area	"Community Investment"	65-69

Independent Auditor's Report

羅兵咸永道

To the Shareholders of
Mainland Headwear Holdings Limited
(incorporated in Bermuda with limited liability)

Opinion

What we have audited

The consolidated financial statements of Mainland Headwear Holdings Limited (the "Company") and its subsidiaries (the "Group"), which are set out on pages 79 to 169, comprise:

- the consolidated balance sheet as at 31 December 2024;
- the consolidated statement of profit or loss for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated cash flow statement for the year then ended; and
- the notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

Our Opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2024, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Independent Auditor's Report

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matter identified in our audit is related to provision for inventories.

Independent Auditor's Report

Key Audit Matter	How our audit addressed the Key Audit Matter
Provision for inventories	
Refer to note 4 (critical accounting estimates and judgements) and note 21 (inventories) to the consolidated financial statements for the related disclosures. As disclosed in note 21 to the consolidated financial statements, inventories are carried at the lower of cost and net realisable value ("NRV"). As at 31 December 2024, the Group held inventories of HK$395.8 million, after provision for inventories of HK$48.0 million. Management determines the lower of cost and NRV of inventories by considering the ageing profile, inventory obsolescence and estimated selling price less the estimated costs of sale of individual inventory items. Significant judgement is required in determining the estimated selling price less the estimated costs of sale of individual products including historical experience of selling products of similar nature and expectation of future sales based on current market conditions. We focused on this area due to significant judgement involved in determining the provision for inventories.	Our audit procedures in relation to management's assessment on NRV and obsolescence of inventories included: — Understood and evaluated management's internal control and assessment process of estimating the NRV of the inventories and conducting periodic review on inventory obsolescence; and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors such as subjectivity and susceptibility to management bias or fraud; — Examined the basis with respect to inventory provisions and evaluated amongst others, the outcome of prior period assessment to assess the effectiveness of management's estimation process; and the utilisation of inventories to identify the slow moving and obsolete inventories; — Observed client's inventory counts to identify where there is any damaged or obsolete inventories; — Tested, on a sample basis, the accuracy of the ageing profile of individual inventory items by checking to the underlying procurement correspondence and invoices; — Tested, on a sample basis, the NRV of selected inventory items, by comparing the latest selling price against the carrying values of these individual inventory items; and

Independent Auditor's Report

Key Audit Matter	How our audit addressed the Key Audit Matter
	— Discussed with management in relation to specific provision on certain inventories which provision was made according to their view on current market conditions. Based on the procedures described, we found the judgement made by management in relation to the provision for inventories was supportable by available evidence.

Other Information

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independent Auditor's Report

Responsibilities of Directors and Audit Committee for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The audit committee is responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

Independent Auditor's Report

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with the audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the audit committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Ng Hiu Tung.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 26 March 2025

Consolidated Statement of Profit or Loss

For the year ended 31 December 2024

	Note	**2024** **HK$'000**	2023 HK$'000
Revenue	5	**1,474,488**	1,418,994
Cost of sales	8	**(1,019,006)**	(942,630)
Gross profit		**455,482**	476,364
Other income	6	**30,726**	30,953
Other (losses)/gains — net	7	**(267)**	44,965
Selling and distribution costs	8	**(152,249)**	(159,972)
Administration expenses	8	**(214,067)**	(198,356)
Net impairment losses on financial assets	22	**(6,621)**	(3,750)
Profit from operations		**113,004**	190,204
Finance income	9	**2,943**	2,103
Finance costs	9	**(14,666)**	(15,280)
Finance costs – net		**(11,723)**	(13,177)
Share of (loss)/profit from an investment accounted for using equity method	11	**(29)**	150
Profit before income tax		**101,252**	177,177
Income tax expense	12	**(39,420)**	(49,369)
Profit for the year		**61,832**	127,808

Consolidated Statement of Profit or Loss

For the year ended 31 December 2024

	Note	2024 HK$'000	2023 HK$'000
Profit attributable to:			
Owners of the Company		**57,074**	117,949
Non-controlling interests		**4,758**	9,859
		61,832	127,808
Earnings per share for the profit attributable to owners of the Company	13		
Basic (HK cents per share)		**13.2989**	27.5473
Diluted (HK cents per share)		**13.1488**	26.9886

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

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2024

	Note	**2024** **HK$'000**	2023 HK$'000
Profit for the year		**61,832**	127,808
Other comprehensive income, net of tax			
Items that have been or may be subsequently reclassified to profit or loss:			
Release of exchange reserve on deregistration of subsidiaries		**(1,808)**	–
Exchange differences on translation of financial statements of foreign operations		**(7,039)**	(262)
Fair value gains on cash flow hedges		**–**	2,314
Total comprehensive income for the year, net of tax		**52,985**	129,860
Total comprehensive income attributable to:			
Owners of the Company		**48,596**	119,871
Non-controlling interests		**4,389**	9,989
Total comprehensive income for the year		**52,985**	129,860

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

Consolidated Balance Sheet

As at 31 December 2024

	Note	2024 HK$'000	2023 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	15	**670,208**	551,407
Right-of-use assets	34	**55,628**	50,467
Investment properties	16	**54,151**	50,065
Goodwill	18	**30,856**	–
Other intangible assets	19	**75,380**	14,685
Deferred income tax assets	20	**3,171**	6,850
Investment accounted for using equity method	11	**393**	422
Financial assets at fair value through profit or loss	25	**41,885**	42,233
Other financial assets at amortised cost	22	**1,442**	2,012
Other non-current assets	23	**7,247**	6,881
		940,361	725,022
Current assets			
Inventories	21	**395,767**	373,652
Trade receivables	22	**375,642**	321,399
Financial assets at fair value through profit or loss	25	**4,216**	4,219
Other financial assets at amortised cost	22	**18,707**	8,176
Other current assets	24	**15,129**	24,080
Tax recoverable		**3,251**	3,251
Short-term deposits	26	**12,155**	8,955
Cash and cash equivalents	26	**179,638**	317,849
		1,004,505	1,061,581
Total assets		**1,944,866**	1,786,603
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital	27	**42,916**	42,916
Other reserves		**208,235**	220,015
Retained earnings		**866,089**	847,642
		1,117,240	1,110,573
Non-controlling interests		**62,049**	50,610
Total equity		**1,179,289**	1,161,183

Consolidated Balance Sheet

As at 31 December 2024

	Note	**2024** **HK$'000**	2023 HK$'000
LIABILITIES			
Non-current liabilities			
Other payables	29	**26,394**	6,595
Borrowings	31	**–**	7,197
Lease liabilities	34	**45,911**	41,175
Deferred income tax liabilities	20	**31,547**	21,453
		103,852	76,420
Current liabilities			
Trade and other payables	29	**402,196**	332,755
Amount due to a non-controlling interest	30	**498**	537
Borrowings	31	**199,479**	153,506
Lease liabilities	34	**14,382**	13,595
Current income tax liabilities		**45,170**	48,607
		661,725	549,000
Total liabilities		**765,577**	625,420
Total equity and liabilities		**1,944,866**	1,786,603
Net current assets		**342,780**	512,581
Total assets less current liabilities		**1,283,141**	1,237,603

The consolidated financial statements on pages 79 to 169 were approved by the Board of Directors on 26 March 2025 and were signed on its behalf.

Ngan Hei Keung
Director

Ngan Po Ling, Pauline, *BBS, JP*
Director

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

Consolidated Statement of Changes in Equity

For the year ended 31 December 2024

	Attributable to owners of the Company									
	Share capital HK$'000	Share premium HK$'000	Capital reserve HK$'000	Share based compensation reserve HK$'000	Other reserve HK$'000	Exchange reserve HK$'000	Retained earnings HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
Balance as 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 year	-	-	-	-	-	-	57,074	57,074	4,758	61,832
Other comprehensive income:										
— Release of exchange reserve on deregistration of subsidiaries	-	-	-	-	-	(1,808)	-	(1,808)	-	(1,808)
— Exchange differences on translation of financial statements of foreign operations	-	-	-	-	-	(6,670)	-	(6,670)	(369)	(7,039)
Total comprehensive income for the year, net of tax	-	-	-	-	-	(8,478)	57,074	48,596	4,389	52,985
Acquisition of a subsidiary *(note 35)*	-	-	-	-	-	-	-	-	8,207	8,207
Acquisition of further interests in subsidiaries *(note 17(c))*	-	-	-	-	(3,302)	-	-	(3,302)	399	(2,903)
2023 final dividend paid *(note 14)*	-	-	-	-	-	-	(25,750)	(25,750)	(1,556)	(27,306)
2024 interim dividend paid *(note 14)*	-	-	-	-	-	-	(12,877)	(12,877)	-	(12,877)
	-	-	-	-	(3,302)	-	(38,627)	(41,929)	7,050	(34,879)
Balance at 31 December 2024	42,916	169,606	25,878	9,650	6,837	(3,736)	866,089	1,117,240	62,049	1,179,289

Consolidated Statement of Changes in Equity

For the year ended 31 December 2024

	Attributable to owners of the Company										
	Share capital	Share premium	Hedging reserve	Capital reserve	Share based compensation reserve	Other reserve	Exchange reserve	Retained earnings	Total	Non-controlling interests	Total equity
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Balance as at 1 January 2023	42,660	166,117	(2,314)	25,878	10,284	10,139	5,134	768,269	1,026,167	42,814	1,068,981
Profit for the year	–	–	–	–	–	–	–	117,949	117,949	9,859	127,808
Other comprehensive income:											
– Exchange differences on translation of financial statements of foreign operations	–	–	–	–	–	–	(392)	–	(392)	130	(262)
– Fair value gains on cash flow hedges	–	–	2,314	–	–	–	–	–	2,314	–	2,314
Total comprehensive income for the year, net of tax	–	–	2,314	–	–	–	(392)	117,949	119,871	9,989	129,860
2022 final dividend paid *(note 14)*	–	–	–	–	–	–	–	(25,702)	(25,702)	(2,193)	(27,895)
2023 interim dividend paid *(note 14)*	–	–	–	–	–	–	–	(12,874)	(12,874)	–	(12,874)
Share options scheme:											
– Share options exercised *(note 28)*	256	3,489	–	–	(634)	–	–	–	3,111	–	3,111
	256	3,489	–	–	(634)	–	–	(38,576)	(35,465)	(2,193)	(37,658)
Balance at 31 December 2023	42,916	169,606	–	25,878	9,650	10,139	4,742	847,642	1,110,573	50,610	1,161,183

The capital reserve of the Group represents the difference between the nominal value of the share capital of the subsidiaries acquired pursuant to the Group's reorganisation for the purpose of the listing of the Company's shares on the Stock Exchange in 2000 over the nominal value of the share capital of the Company issued in exchange therefor.

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

Consolidated Cash Flow Statement

For the year ended 31 December 2024

	Note	2024 HK$'000	2023 HK$'000
Cash flows from operating activities			
Cash generated from operations	32(a)	**207,048**	400,373
Income tax paid		**(39,718)**	(35,805)
Interest paid		**(14,666)**	(15,280)
Net cash generated from operating activities		**152,664**	349,288
Cash flows from investing activities			
Interest received		**2,943**	2,103
Short-term deposits		**(3,200)**	(8,955)
Purchase of property, plant and equipment		**(171,804)**	(229,806)
Purchase of intangible assets		**(38,987)**	(5,680)
Purchase of financial assets at fair value through profit or loss	25	**(1,050)**	(6,136)
Distribution proceeds from financial assets at fair value through profit or loss	25	**875**	–
Purchase of an insurance contract	23	**–**	(10,708)
Proceeds from disposal of property, plant and equipment	32(b)	**26**	98,887
Proceeds from disposal of investments in wealth management products		**–**	17,065
Acquisition of a subsidiary, net of cash acquired	35	**(42,935)**	–
Disposal of subsidiaries, net of cash disposed of	36	**(769)**	–
Net cash used in investing activities		**(254,901)**	(143,230)
Cash flows from financing activities			
Repayment of borrowings	32(c)	**(109,746)**	(160,601)
Proceeds from borrowings	32(c)	**133,075**	78,024
Proceeds from exercise of share options		**–**	3,111
Payment for lease liabilities	32(c)	**(15,047)**	(12,698)
Acquisition of further interests in subsidiaries	17(c)	**(2,903)**	–
Dividends paid		**(38,627)**	(38,576)
Dividends paid to non-controlling interests		**(1,556)**	(2,193)
Net cash used in financing activities		**(34,804)**	(132,933)
Net (decrease)/increase in cash and cash equivalents		**(137,041)**	73,125
Cash and cash equivalents at beginning of year		**317,849**	246,949
Effect of foreign exchange rate changes		**(1,170)**	(2,225)
Cash and cash equivalents at end of year		**179,638**	317,849

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

1. GENERAL INFORMATION

Mainland Headwear Holdings Limited (the "Company") is a limited liability company incorporated in Bermuda and its shares are listed on The Stock Exchange of Hong Kong Limited ("Stock Exchange"). The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda. The head office and principal Place of business address is Rooms 2301-2305, 23rd Floor, CTF Life Tower, 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 set out in note 17 to the financial statements.

These financial statements are presented in thousands of units of Hong Kong dollars ("HK$'000"), unless otherwise stated.

2. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES

The consolidated financial statements of the Company and its subsidiaries (together the "Group") have been prepared in accordance with all applicable Hong Kong Financial Reporting 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. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

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

The Group has applied the following standards and amendments for the first time for the annual reporting period commencing 1 January 2024:

- Classification of Liabilities as Current or Non-current - Amendments to HKAS 1
- Non-current liabilities with covenants - Amendments to HKAS 1
- Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause – Amendments to Hong Kong Interpretation 5 (Revised)
- Lease Liability in Sale and Leaseback - Amendments to HKFRS 16
- Supplier Finance Arrangements - Amendments to HKAS 7 and HKFRS 7

The amendments listed 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.

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 Consolidated Financial Statements

For the year ended 31 December 2024

3. FINANCIAL RISK MANAGEMENT

(a) Categories of financial instruments

	2024 HK$'000	2023 HK$'000
Financial assets		
Financial assets at amortised cost		
— Trade receivables	**375,642**	321,399
— Other financial assets at amortised costs	**20,149**	10,188
— Short-term deposits	**12,155**	8,955
— Cash and cash equivalents	**179,638**	317,849
	587,584	658,391
Financial assets at fair value through profit or loss	**46,101**	46,452
	633,685	704,843
Financial liabilities		
Financial liabilities at amortised cost:		
— Trade and other payables	**340,512**	284,818
— Amount due to a non-controlling interest	**498**	537
— Lease liabilities	**60,293**	54,770
— Borrowings	**199,479**	160,703
	600,782	500,828

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

(b) Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk, and liquidity risk. The Group's overall risk management objectives focus on the unpredictability of financial markets and seek to minimise potential adverse effects on the Group's financial performance.

In light of the simplicity of the structure, the risk management of the Group is carried out by the Board of Directors directly. The Board discusses both formally and informally principles for overall risk management, as well as policies covering specific areas, such as foreign currency risk, interest rate risk, credit risk, liquidity risk and use of financial instruments.

(i) Market risk

(a) Foreign currency risk

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in HK$, which is the Company's functional and the Group's presentation currency.

The Group is exposed to foreign currency risk primarily through sales and purchases that are denominated in a currency other than the functional currency of the operations to which they relate. The currencies giving rise to this risk are primarily United States dollars ("US$"), Renminbi ("RMB"), Great British Pound ("GBP"), Mexican Peso ("MXN"), Euro ("EUR") and Bangladesh Taka ("BDT"), and there are no significant assets and liabilities denominated in other currencies. The Group is subject to foreign currency risk arising from future commercial transactions and recognised assets and liabilities which are denominated in a currency other than HK$, US$, RMB, BDT, EUR or GBP, which are the functional currencies of the major operating companies within the Group. The Group currently does not hedge its foreign currency exposure.

For the companies with HK$ as their functional currency

The exchange between of RMB and HK$ is subject to the rules and regulations of foreign exchange control promulgated by the PRC ("People's Republic of China") government. The Group manages its foreign currency risk by closely monitoring the movement of the foreign currency rates.

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As HK$ is pegged to US$, management believes that the foreign currency risk for translations between HK$ and US$ does not have material impact to the Group.

At 31 December 2024, if RMB had weakened/strengthened by 5% against the HK$ with all other variables held constant, post-tax profit for the year would have been approximately HK$1,090,000 (2023: HK$2,096,000) lower/higher, mainly as a result of the foreign exchange difference on translation of RMB denominated current accounts with group companies.

As at 31 December 2024, if GBP had weakened/strengthened by 5% against HK$ with all other variables held constant, post-tax profit for the year would have been approximately HK$272,000 (2023: HK$299,000) lower/higher, mainly as a result of the foreign exchange difference on translation of GBP denominated currents account with group companies.

As at 31 December 2024, if EUR had weakened/strengthened by 5% against HK$ with all other variables held constant, post-tax profit for the year would have been approximately HK$1,306,000 (2023: HK$nil) lower/higher, mainly as a result of the foreign exchange difference on translation of EUR denominated currents account with group companies.

As at 31 December 2024, if MXN had weakened/strengthened by 5% against HK$ with all other variables held constant, post-tax profit for the year would have been approximately HK$535,000 (2023: HK$7,000) lower/higher, mainly as a result of the foreign exchange difference on translation of MXN denominated cash and cash equivalents.

For the companies with US$ as their functional currency

At 31 December 2024, if BDT had weakened/strengthened by 5% against the US$ with all other variables held constant, post-tax profit for the year would have been approximately HK$1,787,000 (2023: HK$1,390,000) higher/lower, mainly as a result of the foreign exchange difference on translation of BDT denominated accrued charges and other payables.

For the companies with GBP as their functional currency

At 31 December 2024, if US$ had weakened/strengthened by 5% against the GBP with all other variables held constant, post-tax profit for the year would have been approximately HK$463,000 (2023: HK$401,000) lower/higher, mainly as a result of the foreign exchange difference on translation of US$ denominated cash and cash equivalents.

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For the year ended 31 December 2024

(b) *Cash flow and fair value interest rate risk*

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's interest rate risk primarily arises from bank deposits and borrowings. Bank borrowings issued at variable rates and other borrowings issued at fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk, respectively. The interest rate risk in relation to the Group's bank deposits is not significant as the fluctuation of the interest rates are minimal. The Group has not used any derivative contracts to hedge its exposure to interest rate risk.

At 31 December 2024, it is estimated that a general increase/decrease of 50 basis points in borrowings with variable interest rates, with all other variables held constant, would decrease/increase the Group's post-tax profit for the year by approximately HK$772,000 (2023: HK$455,000). The 50 basis points increase/decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next annual reporting date.

(c) *Price risk*

The Group is exposed to equity price risk through its investments in listed securities in Hong Kong, unlisted equity investments and unlisted convertible loan classified as financial assets at FVPL. To manage its price risk arising from investments, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.

If the market bid prices or fair value of each investment classified as FVPL had been 10% higher/lower, with all other variables held constants, the Group's post-tax profit for the year would increase/decrease by approximately HK$4,610,000 (2023: HK$4,645,000), mainly as a result of unrealised gains/losses on listed securities in Hong Kong, and unlisted investments in the United States of American (the "USA"), the British Virgin Islands, the People's Republic of China ("PRC") and Hong Kong, classified as financial asset at FVPL. The 10% higher/lower represents management's assessment of a reasonably possible change in the market bid prices or fair value of each investment classified as FVPL over the period until the next annual reporting date.

Management constantly reviews the portfolio of investments and maintains the Group's exposures to price risk within an acceptable level.

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For the year ended 31 December 2024

(ii) Credit risk

The Group's credit risk is primarily attributable to trade receivables, other financial assets at amortised cost, short-term deposits and cash and cash equivalents. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

The carrying amount of these balances in the consolidated balance sheet represents the Group's maximum exposure to credit risk in relation to its financial assets.

(a) Risk management

Majority of the Group's cash and cash equivalents are placed in those banks and financial institutions with a sound credit rating. Management does not expect any losses from non-performance by these banks and financial institutions as they have no default history in the past.

Trade receivables are due within 30 to 180 days from the date of billing depending on the trading relationship. Debtors of the Group may be affected by the unfavorable economic conditions and the lower liquidity situation, which could in turn impact their ability to repay the amounts owed. Deteriorating operating conditions for debtors may also have an impact on management's assessment of the impairment of receivables. To the extent that information is available, management has properly reflected revised estimate of expected future cash flows in their impairment assessments.

The credit quality of the customers is assessed based on its financial position, past experience and other factors.

At the end of reporting period, the Group has certain concentration of credit risk as 49% (2023: 45%) and 65% (2023: 58%) of the total trade receivables was due from the Group's largest customer and the five largest customers respectively.

(b) Impairment of financial assets

Trade receivables for sales of goods of the Group are subject to the expected credit loss model. While other financial assets at amortised cost and cash and cash equivalents are also subject to the impairment requirements of HKFRS 9 Financial Instruments ("HKFRS 9"), the identified impairment loss was immaterial.

Trade receivables

The Group applies the HKFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade receivables. The Group measures the expected credit losses on a combination of both individual and collective basis.

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For the year ended 31 December 2024

To measure the expected credit losses, the trade receivables relating to customers with known financial difficulties or significant doubt on collection of receivables are assessed individually for provision for impairment allowance. Expected credit losses are estimated by grouping the remaining trade receivables based on shared credit risk characteristics and collectively assessed for likelihood of recovery, taking into account the nature of the customers, its geographical location and its ageing category, and applying expected credit loss rates to the respective gross carrying amounts of the receivables.

(i) Measurement of expected credit loss on individual basis

Receivables relating to customers with known financial difficulties or significant doubt on collection of receivables are assessed individually for provision for impairment allowance. As at 31 December 2024, the balance of loss allowance in respect of these individually assessed receivables was HK$12,183,000 (2023: HK$4,820,000).

The following table presents the balances of gross carrying amount and the loss allowance in respect of the individually assessed receivables as at 31 December 2024 and 2023:

	As at 31 December	
	2024	2023
	HK$'000	HK$'000
Gross carrying amount	**12,183**	4,820
Loss allowance	**(12,183)**	(4,820)
Net carrying amount	**—**	—

(ii) Measurement of expected credit loss on collective basis

Expected credit losses are also estimated by grouping the remaining receivables based on shared credit risk characteristics and collectively assessed for likelihood of recovery, taking into account the nature of the customers, its geographical location, external credit rating and its ageing category, and applying expected credit loss rates to the respective gross carrying amounts of the receivables.

The expected credit loss rates are determined based on historical credit losses experienced up to past 7 years and are adjusted to reflect current and forward-looking information such as macroeconomic factors affecting the ability of the customers to settle the receivables.

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For the year ended 31 December 2024

On that basis, the loss allowance as at 31 December 2024 and 2023 was determined as follows:

	Expected loss rate %	Gross carrying amount	Loss allowance: Individually assessed	Loss allowance: Collectively assessed	Loss allowance: Total
		HK$'000	HK$'000	HK$'000	HK$'000
As at 31 December 2024					
1 – 60 days	**0.5%**	**239,438**	**–**	**(1,197)**	**(1,197)**
61 – 120 days	**0.7%**	**104,259**	**–**	**(692)**	**(692)**
Over 120 days	**18.3%**	**56,318**	**(12,183)**	**(10,301)**	**(22,484)**
		400,015	**(12,183)**	**(12,190)**	**(24,373)**
As at 31 December 2023					
1 – 60 days	0.7%	218,815	–	(1,475)	(1,475)
61 – 120 days	1.7%	72,587	–	(1,200)	(1,200)
Over 120 days	21.5%	47,749	(4,820)	(10,257)	(15,077)
		339,151	(4,820)	(12,932)	(17,752)

Impairment losses on receivables are presented as "net impairment loss on financial assets" in the consolidated statement of profit or loss. When a receivable is uncollectible, it is written off against the allowance account for receivables. Subsequent recoveries of amounts previously written off are credited against the same line item.

Other financial assets at amortised cost and cash and cash equivalents

There is no significant loss allowance for other financial assets at amortised cost, short term deposits and cash and cash equivalents as at 31 December 2024 (2023: same).

(iii) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants by reviewing each operating entity's cash flow forecast, to ensure that the Group maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

As at 31 December 2024, the Group's total available banking facilities, amounted to approximately HK$905,439,000 (2023: HK$842,665,000), of which approximately HK$184,814,000 (2023: HK$108,965,000) has been utilised.

The table below analyses the Group's financial liabilities into relevant maturity based on the remaining period at the end of reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying values, as the impact of discounting is not significant.

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For the year ended 31 December 2024

31 December 2024

	Repayable on demand HK$'000	Within one year HK$'000	In the second to fifth years inclusive HK$'000	Over five years HK$'000	Total HK$'000
Non-derivatives					
Trade and other payables	—	314,810	25,702	—	340,512
Amount due to a non-controlling interest	498	—	—	—	498
Lease liabilities	—	16,763	39,600	12,120	68,483
Borrowings	184,814	15,766	—	—	200,580
Total	185,312	347,339	65,302	12,120	610,073

31 December 2023

	Repayable on demand HK$'000	Within one year HK$'000	In the second to fifth years inclusive HK$'000	Over five years HK$'000	Total HK$'000
Non-derivatives					
Trade and other payables	—	278,915	5,903	—	284,818
Amount due to a non-controlling interest	537	—	—	—	537
Lease liabilities	—	14,928	34,460	10,742	60,130
Borrowings	108,965	48,297	7,700	—	164,962
Total	109,502	342,140	48,063	10,742	510,447

Specifically, for term loans which contain a repayment on demand clause which can be exercised at the bank's sole discretion, the analysis shows the cash outflow based on the earliest period in which the entity can be required to pay, that is if the lenders were to invoke their unconditional rights to call the loans with immediate effect. The maturity analysis for other bank borrowings is prepared based on the scheduled repayment dates.

The table that follows summaries the maturity analysis of term loans from banks with a repayment on demand clause based on agreed scheduled repayments set out in the loan agreements. The amounts include interest payments computed using contractual rates. As a result, these amounts were greater than the amounts disclosed in the "on demand" time band in the maturity analysis above. Taking into account the Group's financial position, the directors do not consider that it is probable that the bank will exercise its discretion to immediate repayment. The directors believe that such term loans will be repaid in accordance with the scheduled repayment dates set out in the loan agreements.

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	Due on demand or within 1 year HK$'000	**More than 1 year but less than 2 years** HK$'000	**More than 2 years but less than 5 years** HK$'000	**Total** HK$'000
31 December 2024				
Principal	**117,241**	**29,446**	**38,127**	**184,814**
Interest	**5,963**	**3,130**	**6,870**	**15,963**
	123,204	**32,576**	**44,997**	**200,777**
31 December 2023				
Principal	52,677	23,215	33,073	108,965
Interest	3,359	2,924	9,011	15,294
	56,036	26,139	42,084	124,259

(c) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk, and to support the Group's sustainable growth and to provide capital for the purpose of potential mergers and acquisitions.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings, and makes adjustments to the capital structure in light of changes in economic conditions. The Group monitors capital on the basis of the gearing ratio and the Group will have sufficient financial resources and banking facilities to meet its commitments and working capital requirements. The Group's gearing ratio (being the Group's total borrowings and lease liabilities over total equity) is as follows.

	2024 **HK$'000**	2023 HK$'000
Borrowings *(note 31)*	**199,479**	160,703
Lease liabilities *(note 34)*	**60,293**	54,770
Net debt	**259,772**	215,473
Equity	**1,179,289**	1,161,183
Gearing ratio (%)	**22.0**	18.6

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(d) Fair value estimation

(i) Fair value hierarchy

The table below analyses the Group's financial instruments carried at fair values as at 31 December 2024 by level of the inputs to valuation techniques used to measure fair values. Such inputs are categorised into three levels within a fair value hierarchy 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).

See note 16 for disclosures of investment properties that are measured at fair values. The following tables present the Group's financial assets and liability that are measured at fair values:

	2024			
	Level 1	**Level 2**	**Level 3**	**Total**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**
Assets				
Financial assets at fair value through profit or loss				
— Unlisted investment in the USA	**–**	**–**	**7,780**	**7,780**
— Unlisted investment in the British Virgin Islands	**–**	**–**	**18,516**	**18,516**
— Unlisted investment in the PRC	**–**	**–**	**13,070**	**13,070**
— Unlisted investment 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**

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	2023			
	Level 1	Level 2	Level 3	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Assets				
Financial assets at fair value through profit or loss				
— Unlisted investment in the USA	—	—	10,262	10,262
— Unlisted investment in the British Virgin Islands	—	—	17,815	17,815
— Unlisted investment in the PRC	—	—	12,483	12,483
— Unlisted investment in Hong Kong	—	—	1,673	1,673
— Listed securities in Hong Kong	4,219	—	—	4,219
Total financial assets	4,219	—	42,233	46,452

There were no transfers of financial assets and liability between the fair value hierarchy classifications during the year (2023: same).

There were no other changes in valuation techniques during the year (2023: same).

Financial instruments in level 1

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and equity securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

Financial instruments in level 2

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Financial instruments in level 3

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted investments.

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(ii) Valuation techniques used to determine fair values

Specific valuation techniques used to value level 3 financial instruments include techniques such as net asset value model. There are no changes in valuation techniques during the year.

The Group's finance department reviews the valuations of financial assets required for financial reporting purposes, including level 3 fair values. As part of the valuation process, this team reports directly to the chief financial officer ("CFO") and external valuers will be engaged, if necessary.

(iii) Fair value measurements using significant unobservable inputs (Level 3)

The following table presents the changes in level 3 financial instruments for the year ended 31 December 2024:

	Financial asset at fair value through profit or loss				
	Unlisted investment in the USA HK$'000	Unlisted investment in the British Virgin Islands HK$'000	Unlisted investment in the PRC HK$'000	Unlisted investment in Hong Kong HK$'000	Total HK$'000
As at 1 January 2024	10,262	17,815	12,483	1,673	42,233
Addition	–	–	–	1,050	1,050
Distribution	–	–	–	(875)	(875)
Fair value (losses)/gains on revaluation recognised in the consolidated statement of profit or loss	(2,482)	701	587	671	(523)
As at 31 December 2024	7,780	18,516	13,070	2,519	41,885
Unrealised (losses)/gains recognised in the consolidated statement of profit or loss attributable to balances held at the end of reporting period	(2,482)	701	587	671	(523)

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The following table presents the changes in level 3 financial instruments for the year ended 31 December 2023:

	Financial asset at fair value through profit or loss				
	Unlisted investment in the USA HK$'000	Unlisted investment in the British Virgin Islands HK$'000	Unlisted investment in the PRC HK$'000	Unlisted investment in Hong Kong HK$'000	Total HK$'000
As at 1 January 2023	10,615	21,634	8,156	972	41,377
Addition	—	—	5,086	1,050	6,136
Fair value losses on revaluation recognised in the consolidated statement of profit or loss	(353)	(3,819)	(759)	(349)	(5,280)
As at 31 December 2023	10,262	17,815	12,483	1,673	42,233
Unrealised losses recognised in the consolidated statement of profit or loss attributable to balances held at the end of reporting period	(353)	(3,819)	(759)	(349)	(5,280)

Unlisted investment in the USA

The unlisted investment in the USA classified as financial asset at FVPL represents an investment in a 18% equity interest of an unlisted fund in the USA. It is principally engaged in the acquisition and management of a retail plaza and related properties for re-development or rental appreciation. The Group determines the offered price from the fund manager approximates the fair value of the unlisted fund in the USA. The fair value gains/losses are included in "other (losses)/gains — net" in the consolidated statement of profit or loss.

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Unlisted investment in the British Virgin Islands

The unlisted investment in the British Virgin Islands classified as financial asset at FVPL represents an investment in 2.3% equity interest of an unlisted fund in the British Virgin Islands, which is not traded in an active market. The Group determines the net asset value of the fund approximates the fair value of the unlisted fund in the British Virgin Islands. The fair value gains/losses are included in "other (losses)/gains — net" in the consolidated statement of profit or loss.

Unlisted investment in the PRC

The unlisted investment in the PRC classified as financial asset at FVPL represents an investment 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. The fair value gains/losses are included in "other (losses)/gains — net" in the consolidated statement of profit or loss.

Unlisted investment in Hong Kong

The unlisted investment in Hong Kong classified as financial asset at FVPL represents an investment 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. The fair value gains/losses are included in "other (losses)/gains — net" in the consolidated statement of profit or loss.

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For the year ended 31 December 2024

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the Group and that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Provision for inventories

Inventories are carried at the lower of cost and net realisable value. The cost of inventories is written down to net realisable value when there is an objective evidence that the cost of inventories may not be recoverable. The cost of inventories may not be recoverable if those inventories are aged and damaged, if they have become wholly or partially obsolete, or if their selling prices have declined. The cost of inventories may also not be recoverable if the estimated costs to be incurred to make the sales have increased.

The amount written off to the consolidated statement of profit or loss is the difference between the carrying value and net realisable value of the inventories. In determining the net realisable value of inventories, significant judgement is required. In making this judgement, the Group evaluates, among other factors, the duration and extent by all means to which the amount will be recovered.

(b) Impairment of trade receivables

The Group makes provision for impairment of trade receivables based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past experience, existing market conditions as well as forward-looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in note 3(b).

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(c) Impairment of non-financial assets

Non-financial assets including property, plant and equipment, intangible assets and right-of-use assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts have been determined based on higher of value-in-use calculations or fair value less costs of disposals. These calculations require the use of judgements and estimates.

Management judgement is required in the area of asset impairment particularly in assessing: (i) whether an event has occurred that may indicate that the related asset value may not be recoverable; (ii) whether the carrying value of asset can be supported by the recoverable amount, being the higher of fair value less costs of disposals and value-in-use; and (iii) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management in assessing impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test and as a result affect the Group's financial condition and results of operations.

If there is a significant adverse change in the projected performance and the resulting future cash flow projections, it may be necessary to take an impairment charge to profit or loss.

5. 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 losses on financial assets at FVPL, fair value gains/(losses) on investment properties, gain on disposal of property, plant and equipment, unallocated corporate income and expenses, finance income and costs, share of (loss)/profit 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 for sale to its Trading Business as well as to external customers. The principal manufacturing facilities are located in Bangladesh, Mexico and Shenzhen, the PRC. Customers are mainly located in 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 Aquarius Ltd ("AQ"), H3 Sportgear LLC ("H3") and San Diego Hat Company ("SDHC") which focus on 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 was also engaged in e-commerce business which mainly focus on the USA market.

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For the year ended 31 December 2024

	Manufacturing		Trading		Total	
	2024	2023	**2024**	2023	**2024**	2023
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Revenue from external customers	**931,812**	821,760	**542,676**	597,234	**1,474,488**	1,418,994
Inter-segment revenue	**45,772**	55,202	**–**	–	**45,772**	55,202
Reportable segment revenue	**977,584**	876,962	**542,676**	597,234	**1,520,260**	1,474,196
Reportable segment cost of sales	**(637,525)**	(534,491)	**(381,481)**	(408,139)	**(1,019,006)**	(942,630)
Reportable segment profit/(loss)	**190,576**	186,886	**(95,443)**	(56,563)	**95,133**	130,323
Financial assets at fair value through profit or loss — fair value losses					**(526)**	(5,521)
Fair value gains/(losses) on investment properties					**4,987**	(205)
Gain on disposal of property, plant and equipment					**–**	53,897
Unallocated corporate income					**33,290**	30,329
Unallocated corporate expenses					**(19,880)**	(18,619)
Profit from operations					**113,004**	190,204
Finance income					**2,943**	2,103
Finance costs					**(14,666)**	(15,280)
Share of (loss)/profit from an investment accounted for using equity method					**(29)**	150
Income tax expense					**(39,420)**	(49,369)
Profit for the year					**61,832**	127,808
Depreciation of property, plant and equipment	**48,519**	42,793	**6,061**	8,450	**54,580**	51,243
Depreciation of right-of-use assets	**4,437**	5,315	**11,152**	8,659	**15,589**	13,974
Amortisation of other intangible assets	**–**	–	**24,868**	21,293	**24,868**	21,293
Net provision for inventories	**2,786**	1,966	**10,713**	1,750	**13,499**	3,716
Net impairment losses for financial assets	**4,622**	(3,559)	**1,999**	7,309	**6,621**	3,750

6.0% (2023: 4.6%) and 94.0% (2023: 95.4%) of total selling and distribution cost is contributed by segment of manufacturing and trading, respectively. 43.7% (2023: 51.4%) and 47.0% (2023: 43.3%) of total administrative expenses is contributed by segment of manufacturing and trading, respectively.

	Manufacturing		Trading		Total	
	2024	2023	**2024**	2023	**2024**	2023
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Reportable segment assets	**837,368**	794,939	**808,638**	557,820	**1,646,006**	1,352,759
Investment properties					**54,151**	50,065
Deferred income tax assets					**3,171**	6,850
Investment accounted for using equity method					**393**	422
Financial assets at fair value through profit or loss					**46,101**	46,452
Tax recoverable					**3,251**	3,251
Short-term deposits					**12,155**	8,955
Cash and cash equivalents					**179,638**	317,849
Total assets					**1,944,866**	1,786,603
Reportable segment liabilities	**271,142**	186,589	**207,588**	199,900	**478,730**	386,489
Deferred income tax liabilities					**31,547**	21,453
Current income tax liabilities					**45,170**	48,607
Borrowings					**199,479**	160,703
Other corporate liabilities					**10,651**	8,168
Total liabilities					**765,577**	625,420
Additions to non-current assets (excluding financial instruments and deferred income tax assets)	**33,432**	145,653	**286,147**	7,986	**319,579**	153,639

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For the year ended 31 December 2024

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, including 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.

	2024	2023
	HK$'000	HK$'000
USA	**1,243,322**	1,229,812
Europe	**202,007**	149,395
PRC and Hong Kong	**9,544**	17,680
Others	**19,615**	22,107
Total	**1,474,488**	1,418,994

During the year ended 31 December 2024, revenue derived from the Group's largest customer (who is a group of affiliated companies of a shareholder) amounted to HK$644,444,000 or 43.7% of the Group's revenue (2023: HK$598,728,000 or 42.2%). These revenues were attributable to the Manufacturing Business.

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For the year ended 31 December 2024

Accounting policies of revenue recognition

The Group is principally engaged in the manufacturing, distribution of headwear products and other accessories. Sales are recognised when control of the products has been transferred, being when the products are delivered to the customers, the customer has accepted the products and there is no unfulfilled obligation that could affect the customer's acceptance of the products.

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

A contract liability is recognised when a customer pays consideration, or is contractually required to pay consideration and the amount is already due, before the Group recognises the related revenue. The Group recognised its contract liabilities under "other payables and accruals" in the consolidated balance sheet.

(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:

	2024	2023
	HK$'000	HK$'000
Bangladesh	**264,169**	296,658
USA	**342,901**	202,383
Mexico	**128,385**	113,577
PRC	**38,401**	34,742
Hong Kong	**14,996**	19,831
Europe	**105,011**	6,736
	893,863	673,927
Deferred income tax assets	**3,171**	6,850
Financial assets at fair value through profit or loss	**41,885**	42,233
Other financial assets at amortised cost	**1,442**	2,012
	940,361	725,022

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6. OTHER INCOME

	2024 HK$'000	2023 HK$'000
Rental income	**28,997**	29,065
Sundry income	**1,729**	1,888
	30,726	30,953

7. OTHER (LOSSES)/GAINS — NET

	2024 HK$'000	2023 HK$'000
Financial assets at fair value through profit or loss		
— fair value losses *(note 25)*	**(526)**	(5,521)
Net foreign exchange (losses)/gains	**(1,764)**	621
Fair value gains/(losses) on investment properties *(note 16)*	**4,987**	(205)
Gain on deregistration of subsidiaries *(note)*	**4,663**	–
Gain on disposal of property, plant and equipment	**–**	53,897
Gain/(loss) on investment in an insurance contract *(note 23)*	**264**	(3,827)
Loss on disposal of subsidiaries *(note 36)*	**(8,040)**	–
Others	**149**	–
	(267)	44,965

Note:

During the year ended 31 December 2024, the Group deregistered certain subsidiaries in the PRC, a gain of deregistration of HK$4,663,000 was recognised in the consolidated statement of profit or loss, including release of reserve of HK$1,808,000 and write-back on accruals and payables of HK$2,855,000.

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8. EXPENSES BY NATURE

Expenses included in cost of sales, selling and distribution costs and administration expenses are analysed as follows:

	2024	2023
	HK$'000	HK$'000
Employee benefit expense *(note 10)*	**397,971**	342,767
Cost of material and trading stock	**637,238**	625,429
Auditors' remuneration		
— Audit services (PwC)	**2,870**	3,033
— Audit services (Non-PwC)	**2,245**	1,428
— Non-audit services	**117**	156
Licence fees	**13,471**	12,940
Depreciation of property, plant and equipment *(note 15)*	**54,580**	51,243
Depreciation of right-of-use assets *(note 34)*	**15,589**	13,974
Amortisation of other intangible assets *(note 19)*	**24,868**	21,293
Short-term lease expenses *(note 34)*	**7,403**	6,432
Net provision for inventories *(note 21)*	**13,499**	3,716
Claim expenses	**3,796**	3,781
Advertising expenses	**19,780**	16,558
Delivery expenses	**39,858**	33,173
Others	**152,037**	165,035
Total	**1,385,322**	1,300,958

9. FINANCE COSTS — NET

	2024	2023
	HK$'000	HK$'000
Interest on bank loans and other borrowings	**(10,780)**	(10,723)
Interest on lease liabilities *(note 34)*	**(1,393)**	(1,663)
Interest accretion on licence fee payables	**(2,493)**	(2,894)
Interest costs	**(14,666)**	(15,280)
Interest income	**2,943**	2,103
Finance costs — net	**(11,723)**	(13,177)

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10. EMPLOYEE BENEFIT EXPENSE

	2024 HK$'000	2023 HK$'000
Employee remuneration (including directors' emoluments and retirement benefit costs)		
— Salaries and allowances	**392,843**	339,447
— Contribution to retirement scheme	**5,128**	3,020
— Long service payments	**—**	300
	397,971	342,767

Five highest paid individuals

The five highest paid individuals included three (2023: three) directors whose emoluments are reflected in the analysis shown in note 40. The details of the emoluments of the remaining two (2023: two) highest paid individuals are as follows:

	2024 HK$'000	2023 HK$'000
Basic salaries, housing allowances, other allowances and benefits in kind	**5,674**	5,381
Contributions to retirement scheme	**18**	18
	5,692	5,399

The emoluments of these two (2023: two) employees are within the following bands:

	2024	2023
HK$2,500,001 — HK$3,000,000	**2**	2

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11. INVESTMENT ACCOUNTED FOR USING EQUITY METHOD

The Group has a 50% interest in a joint arrangement, namely, Treasureland Group Limited which was set up as a partnership together with Tranquil Grand Limited, an independent third party, to distribute apparel and accessories to wholesale customers in the USA. The capital injection amounted to HK$700,000.

The principal place of business of the joint operation is in the USA.

Set out below is the joint venture of the Group as at 31 December 2024 and 2023. The entity listed below has share capital consisting solely of ordinary shares, which are held directly by the Group. The country of incorporation or registration is also its principal place of business, and the proportion of ownership interest is the same as the proportion of voting rights held.

Name of entity	Place of business/ country of incorporation	% of ownership interest		Nature of relationship	Measurement method	Carrying amount	
		2024	2023			**2024**	2023
		%	%			**HK$'000**	HK$'000
Treasureland Group Limited	USA	**50**	50	Joint venture	Equity method	**393**	422

Treasureland Group Limited distributes apparel and accessories to wholesale customers in the USA market. It is a strategic investment for the Group as an expansion of e-commerce business. It is a private entity which no quoted price is available.

This investment is immaterial to the Group and has been accounted for using equity method of accounting.

	2024	2023
	HK$'000	HK$'000
Carrying amount of the joint venture	**393**	422
Amount of the Group's share of (loss)/profit from operation	**(29)**	150
Total comprehensive (loss)/income	**(29)**	150

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12. INCOME TAX EXPENSE

	2024	2023
	HK$'000	HK$'000
Current year		
— Hong Kong profits tax	**—**	—
— Overseas tax	**34,087**	29,821
	34,087	29,821
Under/(over)-provision in prior years		
— Hong Kong profits tax	**1,520**	3,321
— Overseas tax	**—**	(200)
	35,607	32,942
Deferred income tax *(note 20)*	**3,813**	16,427
	39,420	49,369

Hong Kong profits tax has been provided at the rate of 16.5% (2023: 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. Macau complementary (corporate) tax has been provided at the rate of 12% (2023: 12%) on the estimated assessable profits for the year. The corporate income tax of the United States subsidiaries are subject to both federal income tax rate and state income tax rate, which are 21% and 1.51% (2023: 21% and 1.22%) respectively for the year. The subsidiary in the Netherland is subject to corporate income tax rate of 25.8% for the year.

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The tax on the Group's profit before tax differs from the theoretical amount that would arise using the tax rate of the home country of the Company as follows:

	2024	2023
	HK$'000	HK$'000
Profit before income tax	**101,252**	177,177
Calculated at a taxation rate of 16.5% (2023: 16.5%)	**16,706**	29,234
Effect of different taxation rates in other jurisdiction	**(14,795)**	(5,481)
Expenses not deductible for tax purposes	**9,637**	5,862
Income not subject to tax	**(1,994)**	(787)
Tax losses for which no deferred income tax assets was recognised	**28,346**	15,012
De-recognition of previously recognised tax losses	**—**	1,754
Recognition of previously unrecognised deferred tax liabilities	**—**	654
Under-provision in prior years	**1,520**	3,121
Income tax expense	**39,420**	49,369

Accounting policies of current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and it establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

13. 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.

	2024	2023
Profit attributable to owners of the Company *(HK$'000)*	**57,074**	117,949
Weighted average number of ordinary share for basic earnings per share	**429,164,448**	428,168,589
Basic earnings per share *(HK cents)*	**13.2989**	27.5473

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(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.

	2024	2023
Profit attributable to owners of the Company *(HK$'000)*	**57,074**	117,949
Weighted average number of ordinary shares in issue	**429,164,448**	428,168,589
Adjustment for share options	**4,898,296**	8,864,647
Weighted average number of ordinary shares for diluted earnings per share	**434,062,744**	437,033,236
Diluted earnings per share *(HK cents)*	**13.1488**	26.9886

14. DIVIDENDS

A final dividend in respect of the year ended 31 December 2024 of 5 HK cents per share, amounting to a total dividend of 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 (2023: 429,164,448) shares in issue as at 31 December 2024.

	2024	2023
	HK$'000	HK$'000
Interim dividend of 3 HK cents (2023: 3 HK cents) per share	**12,877**	12,874
Proposed final dividend of 5 HK cents (2023: 6 HK cents) per share	**21,458**	25,750
	34,335	38,624

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15. PROPERTY, PLANT AND EQUIPMENT

	Construction in progress HK$'000	Land and buildings HK$'000	Furniture and equipment HK$'000	Leasehold improvements HK$'000	Machinery HK$'000	Motor vehicles HK$'000	Total HK$'000
At 1 January 2023							
Cost	984	374,468	75,916	36,368	405,613	10,973	904,322
Accumulated depreciation and impairment	—	(83,777)	(56,356)	(26,943)	(227,540)	(10,022)	(404,638)
Net book amount	984	290,691	19,560	9,425	178,073	951	499,684
Year ended 31 December 2023							
Net book amount at 1 January 2023	984	290,691	19,560	9,425	178,073	951	499,684
Additions	2,108	106,474	5,378	174	29,192	4,386	147,712
Depreciation	—	(17,918)	(8,354)	(1,970)	(22,122)	(879)	(51,243)
Disposals	—	(44,952)	(5)	—	(33)	—	(44,990)
Exchange differences	—	354	1	—	(110)	(1)	244
Closing net book amount	3,092	334,649	16,580	7,629	185,000	4,457	551,407
At 31 December 2023							
Cost	3,092	428,020	76,774	16,601	416,834	14,123	955,444
Accumulated depreciation and impairment	—	(93,371)	(60,194)	(8,972)	(231,834)	(9,666)	(404,037)
Net book amount	3,092	334,649	16,580	7,629	185,000	4,457	551,407
Year ended 31 December 2024							
Net book amount at 1 January 2024	3,092	334,649	16,580	7,629	185,000	4,457	551,407
Acquisition of a subsidiary *(note 35)*	–	–	1,804	–	–	307	2,111
Disposal of subsidiaries *(note 36)*	–	–	(19)	–	–	–	(19)
Transfer	(3,092)	3,092	–	–	–	–	–
Additions	–	106,943	16,340	31,230	14,426	2,865	171,804
Depreciation	–	(19,193)	(8,659)	(2,073)	(23,218)	(1,437)	(54,580)
Disposals	–	–	–	–	(26)	–	(26)
Exchange differences	–	(144)	(113)	(6)	(100)	(126)	(489)
Closing net book amount	–	425,347	25,933	36,780	176,082	6,066	670,208
At 31 December 2024							
Cost	–	537,886	94,717	47,817	419,214	18,087	1,117,721
Accumulated depreciation and impairment	–	(112,539)	(68,784)	(11,037)	(243,132)	(12,021)	(447,513)
Net book amount	–	425,347	25,933	36,780	176,082	6,066	670,208

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Accounting policies of property, plant and equipment

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate cost, net of their residual values over their estimated useful lives as follows:

Buildings	3.33% to 10%
Furniture and equipment	10% to 33%
Leasehold improvements	Shorter of the lease period or 10% to 20%
Machinery	10%
Motor vehicles	12.5% to 20%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

See note 41(f) for the other accounting policies relevant to property, plant and equipment.

Depreciation expenses have been charged as below:

	2024	2023
	HK$'000	HK$'000
Cost of sales	**45,170**	40,653
Administration expenses	**9,410**	10,590
Total depreciation expenses	**54,580**	51,243

The Group's land is freehold and located outside Hong Kong.

The Group entered into a collaboration agreement (the "Agreement") on 2 March 2023, with the Sonora Government, a state government of Mexico, and H. City Hall, a territorial division and political and administrative organisation of the municipality of Agua Prieta of Sonora, Mexico, regarding the construction and development of various infrastructures, at a 150-hectare plot of land in Mexico (the "Land") within a five-year period. The Group is required to utilise the Land within a specified timeframe for the purposes of the construction and operation of a factory with a specified number of employees and the construction of a warehouse, residential units, roads and infrastructure, fences, and walls on the Land (the "Conditions").

If the Group meets the Conditions under the Agreement, the legal ownership of the Land will be transferred to the Group, free of charge and free of any contribution.

As at 31 December 2024, the Group has assessed that it is too early to conclude whether the Group can comply with all the Conditions. Accordingly, no government grants have been recognised for the year ended 31 December 2024 (2023: same).

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16. INVESTMENT PROPERTIES

	2024	2023
	HK$'000	HK$'000
At fair value		
Opening balance at 1 January	**50,065**	51,096
Net gains/(losses) from fair value adjustment	**4,987**	(205)
Exchange differences	**(901)**	(826)
Closing balance at 31 December	**54,151**	50,065

The following amounts have been recognised in the consolidated statement of profit or loss:

	2024	2023
	HK$'000	HK$'000
Rental income	**6,038**	5,548
Direct operating expenses arising from investment property that generated rental income	**(2,132)**	(1,789)

The period of leases whereby the Group leases out its investment properties under operating leases ranged from 1 to 5 years.

At 31 December 2024 and 2023, the future aggregate minimum rentals receivables under non-cancellable operating leases are as follows:

	2024	2023
	HK$'000	HK$'000
No later than 1 year	**6,429**	5,421
Later than 1 year and not later than 5 years	**11,443**	—
	17,872	5,421

The valuation of the investment properties is based on the valuation carried out by independent professionally qualified valuer who holds a recognised relevant professional qualification and has recent experience in the locations and segments of the investment properties valued. The revaluation gains are included in "other (losses)/gains – net" in the consolidated statement of profit or loss. The following table analyses the investment properties carried at fair value, by level of inputs to valuation techniques used to measure fair value. Such inputs are categorised into three levels within a fair value hierarchy as follows:

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

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer. There were no transfers among levels 1, 2 and 3 during the year (2023: same).

	Fair value measurements at 31 December 2024 using			
Description	**Quoted prices in active markets for identical assets (Level 1) HK$'000**	**Significant other observable inputs (Level 2) HK$'000**	**Significant unobservable inputs (Level 3) HK$'000**	**Total HK$'000**
Investment properties:				
Factory premises in the PRC	**—**	**—**	**20,539**	**20,539**
Residential building units in the PRC	**—**	**5,682**	**—**	**5,682**
Residential building units in the USA	**—**	**27,930**	**—**	**27,930**
	—	**33,612**	**20,539**	**54,151**

	Fair value measurements at 31 December 2023 using			
Description	Quoted prices in active markets for identical assets (Level 1) HK$'000	Significant other observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
Investment properties:				
Factory premises in the PRC	—	—	19,616	19,616
Residential building units in the PRC	—	5,553	—	5,553
Residential building units in the USA	—	24,896	—	24,896
	—	30,449	19,616	50,065

The Group's finance department reviews the valuations performed by the independent valuers for financial reporting purposes. This team reports directly to the CFO and group senior management for discussions in relation to the valuation processes and the reasonableness of the valuation results.

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The valuation of the residential units in the USA and the PRC was determined using the sale comparison approach. Sales prices of comparable properties in close proximity are adjusted for differences in key attributes such as rental value, time, location, size and other relevant factors. The most significant input into this valuation approach is the rental value.

The valuation of the factory premises in the PRC was determined using the income approach. The potential rent of the property (with reference to current market rent) of which the Group is entitled to receive for the residual term of the lease of property is capitalised. The most significant impact into this valuation approach is the rental value.

These significant unobservable inputs include:

Description	Fair values at 31-Dec-24 (HK$'000)	Valuation technique	Unobservable inputs	Range of unobservable inputs (probability-weighted average)	Relationship of unobservable inputs to fair value
Factory premises in the PRC	20,539 (RMB19,300,000)	Income approach	Term rent	RMB17–RMB20 per month per square metre	The higher the rent, the higher the fair value
			Market rent	RMB20 per month per square metre	The higher the rent, the higher the fair value
			Term yield	8%	The higher the yield, the lower the fair value
			Market yield	8%	The higher the yield, the lower the fair value

Description	Fair values at 31-Dec-23 (HK$'000)	Valuation technique	Unobservable inputs	Range of unobservable inputs (probability-weighted average)	Relationship of unobservable inputs to fair value
Factory premises in the PRC	19,616 (RMB18,900,000)	Income approach	Term rent	RMB16–RMB19 per month per square metre	The higher the rent, the higher the fair value
			Market rent	RMB19 per month per square metre	The higher the rent, the higher the fair value
			Term yield	8%	The higher the yield, the lower the fair value
			Market yield	8%	The higher the yield, the lower the fair value

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17. SUBSIDIARIES

The following is a list of the principal subsidiaries at 31 December 2024 and 2023:

Name of company	Place of incorporation/ registration	Principal place of operation	Nominal value of issued ordinary share capital/ registered capital	Interest held by the Group 2024	2023	Principal activities
Aquarius Ltd	USA	USA	US$361,630 common	**100%**	100%	Trading of headwear, small leather goods, bags and accessories
Asia Sharp Limited	Hong Kong	Hong Kong	HK$1	**100%**	100%	Trading of bags
Difuzed B.V. *(note a)*	The Netherlands	The Netherlands	€22,689 ordinary	**55%** *(note 35)*	–	Trading of headwear, apparel and accessories
Drew Pearson International (Europe) Ltd. *(note a)*	The United Kingdom	The United Kingdom	£10,000 ordinary	**100%** *(note c)*	90%	Trading of headwear and accessories
Exquisite Property Limited	The United Kingdom	The United Kingdom	£1 ordinary	**100%**	100%	Property holding
Famewell Limited	The British Virgin Island	USA	US$1 ordinary	**100%**	100%	Property holding
Famewell Corp	USA	USA	US$100 common	**100%**	100%	Property holding
Guang Zhou Jian Hao Headwear Manufacturing Ltd.	PRC *(note b)*	PRC	£1,500,000 registered paid-up capital	**100%**	100%	Property holding
H3 Sportgear LLC (note a)	USA	USA	US$3,599,700 common	**95.5%** *(note c)*	90%	Trading of headwear, apparel and accessories
Mainland Development (BD) Co. Ltd.	Bangladesh	Bangladesh	BDT90,000,000 ordinary	**100%**	100%	Manufacture and sale of bags and accessories
Mainland Mexico Headwear Manufacturing Ltd	Mexico	Mexico	MXN50,000 ordinary	**100%**	100%	Manufacture and sales of headwear
Mainland Mexico Investment Holdings Co Ltd	Mexico	Mexico	MXN10,000 ordinary	**100%**	100%	Investment holding
Mainland Mexico Manufacturing Limited	Samoa	Mexico	US$1 ordinary	**100%**	100%	Investment holding
Mainland Sewing Headwear Manufacturing Limited	Hong Kong	Hong Kong	HK$10,000 ordinary	**100%**	100%	Trading of headwear
New Wintax Commercial Company Limited	Macau	Macau	MOP$100,000 ordinary	**100%**	100%	Provision of research and development, quality control and administrative services
Rhys Trading Ltd.	The British Virgin Islands	Hong Kong	US$10,000 ordinary	**100%**	100%	Investment holding

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Name of company	Place of incorporation/ registration	Principal place of operation	Nominal value of issued ordinary share capital/ registered capital	Interest held by the Group 2024	2023	Principal activities
Rich Trend Trading Limited *(note a)*	Hong Kong	Hong Kong	HK$1	**70%**	70%	Trading of accessories
SA Property Investment LLC	USA	USA	US$1 common	**100%**	100%	Investment holding
San Diego Hat Company	USA	USA	US$10,000 common	**100%**	100%	Trading of headwear and accessories
SDHC Property LLC	USA	USA	US$1 common	**100%**	100%	Property holding
SDH3 Whiptail LLC	USA	USA	US$1 common	**100%**	100%	Property holding
Smart Sourcing (HK) Limited	Hong Kong	Hong Kong	HK$1	**100%**	100%	Sourcing and trading of headwear and accessories
Sky Trade Global Limited *(note a)*	The British Virgin Islands	Bangladesh	US$1 ordinary	**90%**	90%	Trading of headwear
Top Super Sports (Shenzhen) Ltd.	PRC *(note b)*	PRC	HK$25,000,000 registered paid-up capital	**100%**	100%	Trading of headwear and accessories
Treasure Trend Corporation Limited	Hong Kong	Hong Kong	HK$1 ordinary	**100%**	100%	Manufacturing and sale of headwear
Unimas Sportswear Ltd. *(note a)*	Bangladesh	Bangladesh	BDT856,694,300 ordinary	**90%**	90%	Manufacture and sale of headwear
Wintax Caps (Shenzhen) Co., Ltd.	PRC *(note b)*	PRC	HK$20,000,000 registered paid-up capital	**100%**	100%	Manufacture and sale of headwear
Wintax Sky Trade Limited	Macau	Macau	MOP$100,000 ordinary	**100%**	100%	Trading of headwear
Wintax Trading Limited	Macau	Macau	MOP$100,000 ordinary	**100%**	100%	Trading of headwear and provision of digitizing services

note a:

The non-controlling interests in respect of these companies are not material.

note b:

These companies are registered in the PRC in the form of wholly foreign-owned enterprises.

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note c:

On 23 August 2024, the Group acquired an additional 5.5% of the issued shares of H3 indirectly through acquisition of Difuzed. The carrying amount of the non-controlling interests in H3 on the date of acquisition was a debit balance of HK$2,644,000. The Group recognised an increase in non-controlling interests of HK$2,644,000 and a decrease in equity attributable to owners of the company of HK$2,644,000.

On 25 October 2024, the Group acquired an additional 10.0% of the issued shares of DPI Europe for a purchase consideration of GBP300,000 (approximate of HK$2,903,000). The carrying amount of the non-controlling interests in DPI Europe on the date of acquisition was HK$2,245,000. The Group recognised a decrease in non-controlling interests of HK$2,245,000 and a decrease in equity attributable to owners of the company of HK$658,000.

Other than Rhys Trading Ltd. which is held directly by the Company, all subsidiaries are held by the Company indirectly.

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18. GOODWILL

	2024 HK$'000	2023 HK$'000
Opening net book amount	—	—
Addition	33,094	—
Exchange difference	(2,238)	—
Closing net book amount	30,856	—
Cost	33,094	—
Exchange difference	(2,238)	—
Net book amount	30,856	—

As at 31 December 2024, the carrying amounts of the Group's goodwill of HK$30,856,000 (2023: Nil) are attributable to the acquisitions of Difuzed (note 35).

The recoverable amounts of the CGUs are determined based on value-in-use calculations. These calculations are performed by an external valuer using pre-tax cash flow projections based on financial budgets approved by management, covering a five-year period. Thereafter, the cash flows are extrapolated using terminal growth rates that do not exceed the long-term average growth rates of the countries in which the CGUs operate.

Impairment test for goodwill of Difuzed

The key assumptions are as follows:

	As at 31 December 2024
Pre-tax discount rate	16.39%
Compound annual growth rate	18.33%
Terminal growth rate	1.9%

The recoverable amount of Difuzed exceeded its carrying value as at 31 December 2024 by EUR3 million. An increase in pre-tax discount rate by 2.5% would remove the remaining headroom for Difuzed. Up to the date of this report, there were no reasonably possible changes in any of the key assumptions mentioned above that would have caused the recoverable amount of this CGU to be less than its carrying value.

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19. OTHER INTANGIBLE ASSETS

	Trademarks	Licensing rights	Acquired customer relationship	Acquired supplier relationship	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2023					
Cost	6,495	79,425	15,130	—	101,050
Accumulated amortisation	(6,495)	(49,182)	(15,108)	—	(70,785)
Net book amount	—	30,243	22	—	30,265
Year ended 31 December 2023					
Opening net book amount	—	30,243	22	—	30,265
Additions	—	5,680	—	—	5,680
Amortisation	—	(21,284)	(9)	—	(21,293)
Exchange differences	—	33	—	—	33
Closing net book amount	—	14,672	13	—	14,685
At 31 December 2023					
Cost	6,495	63,144	15,130	—	84,769
Accumulated amortisation	(6,495)	(48,472)	(15,117)	—	(70,084)
Net book amount	—	14,672	13	—	14,685
Year ended 31 December 2024					
Opening net book amount	—	14,672	13	—	14,685
Acquisition of a subsidiary *(note 35)*	—	4,862	—	45,149	50,011
Additions	—	38,987	—	—	38,987
Amortisation	—	(23,393)	(13)	(1,462)	(24,868)
Exchange differences	—	(441)	—	(2,994)	(3,435)
Closing net book amount	—	34,687	—	40,693	75,380
At 31 December 2024					
Cost	6,495	87,650	15,130	42,096	151,371
Accumulated amortisation	(6,495)	(52,963)	(15,130)	(1,403)	(75,991)
Net book amount	—	34,687	—	40,693	75,380

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Accounting policies of other intangible assets

Contractual customer and supplier relationships

Contractual customer and supplier relationships acquired in a business combination are recognised at fair values at the acquisition date. The contractual customer and supplier relationships have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated on straight-line basis over their estimated useful lives (5-10 years).

Trademarks and licensing rights

Separately acquired trademarks and licensing rights are shown at historical cost. Trademarks and licensing rights acquired in a business combination are recognised at fair values at the acquisition date. Trademarks and licensing rights have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated on a straight-line basis over their estimated useful lives (2–10 years).

20. DEFERRED INCOME TAXATION

At the end of the reporting period, components of the deferred income tax assets and liabilities of the Group provided are as follows:

	Assets		**Liabilities**	
	2024	2023	**2024**	2023
	HK$'000	HK$'000	**HK$'000**	HK$'000
Net revaluation surplus on investment properties	**—**	—	**(6,461)**	(6,212)
Right-of-use assets	**—**	—	**(9,667)**	(12,318)
Intangible assets	**—**	—	**(10,499)**	—
Lease liabilities	**10,627**	13,253	**—**	—
Tax loss	**47**	980	**—**	—
Others	**2,164**	4,935	**(14,587)**	(15,241)
Deferred income tax assets/ (liabilities), gross	**12,838**	19,168	**(41,214)**	(33,771)
Set-off deferred tax (liabilities)/ assets	**(9,667)**	(12,318)	**9,667**	12,318
Deferred income tax assets/ (liabilities), net	**3,171**	6,850	**(31,547)**	(21,453)

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The movement in deferred income tax assets and liabilities during the year is as follows:

	Assets					Liabilities						
Deferred income tax assets/(liabilities)	Depreciation allowances HK$'000	Lease liabilities HK$'000	Tax loss HK$'000	Others (note) HK$'000	Sub total HK$'000	Net revaluation surplus on investment properties HK$'000	Right-of-use assets HK$'000	Gain on disposal of property, plant and equipment HK$'000	Intangible assets HK$'000	Others HK$'000	Sub total HK$'000	Total HK$'000
At 1 January 2023	756	13,732	1,754	4,675	20,917	(6,365)	(13,050)	—	—	—	(19,415)	1,502
(Charged)/credited to the consolidated statement of profit or loss	(756)	(470)	(774)	31	(1,969)	51	732	(14,587)	—	(654)	(14,458)	(16,427)
Exchange differences	—	(9)	—	229	220	102	—	—	—	—	102	322
At 31 December 2023	—	13,253	980	4,935	19,168	(6,212)	(12,318)	(14,587)	—	(654)	(33,771)	(14,603)
Set-off deferred tax (liabilities)/assets	—	(12,318)	—	—	(12,318)	—	12,318	—	—	—	12,318	—
At 31 December 2023, net	—	935	980	4,935	6,850	(6,212)	—	(14,587)	—	(654)	(21,453)	(14,603)
At 1 January 2024	—	13,253	980	4,935	19,168	(6,212)	(12,318)	(14,587)	—	(654)	(33,771)	(14,603)
Acquisition of a subsidiary *(note 35)*	—	—	—	—	—	—	—	—	(11,648)	—	(11,648)	(11,648)
(Charged)/credited to the consolidated statement of profit or loss	—	(2,634)	(933)	(2,681)	(6,248)	(1,247)	2,651	—	377	654	2,435	(3,813)
Exchange differences	—	8	—	(90)	(82)	998	—	—	772	—	1,770	1,688
At 31 December 2024	—	10,627	47	2,164	12,838	(6,461)	(9,667)	(14,587)	(10,499)	—	(41,214)	(28,376)
Set-off deferred tax (liabilities)/assets	—	(9,667)	—	—	(9,667)	—	9,667	—	—	—	9,667	—
At 31 December 2024, net	—	960	47	2,164	3,171	(6,461)	—	(14,587)	(10,499)	—	(31,547)	(28,376)

note: "Others" included in deferred income tax assets mainly includes unrealised profit on inventories and unrealised loss on revaluation on trading stock for the year ended 31 December 2024 (2023: unrealised profit on inventories and provision for interest payables to group companies).

The Group did not recognise deferred income tax assets in respect of cumulative tax losses of HK$323,406,000 (2023: HK$256,859,000) as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity. These tax losses have no expiry date except HK$242,931,000 (2023: HK$219,306,000 which will expire in 20 years (2023: 5 years to 20 years).

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Accounting policies of deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary difference. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

The deferred tax liability in relation to investment property that is measured at fair value is determined assuming the property will be recovered entirely through sale.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

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For the year ended 31 December 2024

21. INVENTORIES

	2024	2023
	HK$'000	HK$'000
Raw materials	**131,832**	124,202
Work-in-progress	**21,478**	20,099
Finished goods	**17,883**	7,615
Trading stocks	**224,574**	221,736
	395,767	373,652

The cost of inventories mainly includes cost of materials and trading stocks, employee benefit expense, depreciation of property, plant and equipment, amortisation of other intangible assets, and licences fees recognised as expense and included in cost of sales amounted to HK$1,019,006,000 (2023: HK$942,630,000).

Provision for inventories of HK$13,499,000 has been recognised to cost of sales (2023: HK$3,716,000). As at 31 December 2024, the provision for inventories amounted to HK$48,033,000 (2023: HK$36,827,000).

Accounting policies of inventories

Raw materials, work in progress and finished goods are stated at the lower of cost and net reliable value. Costs are assigned to individual items of inventory on the basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discount. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

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For the year ended 31 December 2024

22. TRADE RECEIVABLES AND OTHER FINANCIAL ASSETS AT AMORTISED COST

	2024 HK$'000	2023 HK$'000
Trade receivables	**400,015**	339,151
Less: provision for impairment losses	**(24,373)**	(17,752)
Trade receivables, net	**375,642**	321,399
Other financial assets at amortised cost	**20,149**	10,188
	395,791	331,587
Less: non-current portion of other financial assets at amortised cost	**(1,442)**	(2,012)
Current portion	**394,349**	329,575

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:

	2024 HK$'000	2023 HK$'000
0 – 30 days	**133,284**	122,466
31 – 60 days	**106,154**	96,349
61 – 90 days	**86,227**	53,259
91 – 120 days	**18,032**	19,328
121 – 180 days	**11,207**	17,261
Over 180 days	**45,111**	30,488
	400,015	339,151

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.

Accounting policies of trade receivables

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method less provision for impairment.

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For the year ended 31 December 2024

(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 movement in provision for impairment loss of trade receivables during the year is as follows:

	2024 **HK$'000**	2023 HK$'000
At 1 January	**17,752**	14,002
Net provision for impairment loss for the year	**6,621**	3,750
At 31 December	**24,373**	17,752

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 2024, based on management's assessment, the Group recorded impairment loss for trade receivables of HK$6,621,000 (2023: HK$3,750,000) in the consolidated statement of profit or loss.

Other financial assets at amortised cost

As at 31 December 2024, the impact of expected loss is immaterial to the Group (2023: same).

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23. OTHER NON-CURRENT ASSETS

	2024	2023
	HK$'000	HK$'000
Investment in an insurance contract	**7,145**	6,881
Other	**102**	–
	7,247	6,881

During the year ended 31 December 2024, the Group has an investment in life insurance contract with the initial payment of HK$10,708,000 (2023: same), and cash surrender value of HK$7,145,000 as at 31 December 2024. The gain on investment in an insurance contract of HK$264,000 (2023: loss of HK$3,827,000) has been recognised in the consolidated statement of profit or loss for the year ended 31 December 2024.

Accounting policies of other non-current assets

The insurance contract of the Group includes both investment and insurance elements. The investment in an insurance contract is initially recognised at the amount of the premium paid and subsequently carried at the amount that could be realised under the corresponding insurance contract ("cash surrender value") at the end of each reporting period, with changes in value being recognised in profit or loss.

24. OTHER CURRENT ASSETS

	2024	2023
	HK$'000	HK$'000
Other prepayments	**9,426**	14,504
Prepayments to suppliers	**5,703**	9,576
	15,129	24,080

25. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets at fair value through profit or loss

As at 31 December 2024, the Group's financial assets at FVPL represent investment in listed securities and unlisted investments. The investments in listed securities and unlisted equity investment in the British Virgin Islands, the PRC and Hong Kong are mandatorily measured at FVPL, while the Group does not elect to classify the unlisted investments in the USA as financial asset at fair value through other comprehensive income ("FVOCI"). The financial assets measured at FVPL are with the following details:

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	2024 HK$'000	2023 HK$'000
At 1 January	**46,452**	62,902
Additions	**1,050**	6,136
Distribution	**(875)**	–
Fair value losses on revaluation recognised in consolidated statement of profit or loss	**(526)**	(5,521)
Disposal of investments in wealth management products	**–**	(17,065)
	46,101	46,452
Non-current		
Unlisted investment in the USA	**7,780**	10,262
Unlisted investment in the British Virgin Islands	**18,516**	17,815
Unlisted investment in the PRC	**13,070**	12,483
Unlisted investment in Hong Kong	**2,519**	1,673
	41,885	42,233
Current		
Listed securities in Hong Kong	**4,216**	4,219
	4,216	4,219
	46,101	46,452

The carrying amounts of the Group's financial assets at FVPL are denominated in the following currencies:

	2024 HK$'000	2023 HK$'000
US$	**28,815**	29,750
HK$	**4,216**	4,219
RMB	**13,070**	12,483
	46,101	46,452

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26. SHORT TERM DEPOSITS AND CASH AND CASH EQUIVALENTS

	2024	2023
	HK$'000	HK$'000
Cash at bank and on hand	**179,638**	317,849
Time deposits with original maturity date over 3 months	**12,155**	8,955
	191,793	326,804

Funds of the Group amounting to HK$32,104,000 (2023: HK$63,935,000) and HK$15,431,000 (2023: HK$18,759,000) are kept in the bank accounts opened with banks in the PRC and Bangladesh, respectively, where the remittance of funds is subject to foreign exchange control.

27. SHARE CAPITAL

	Number of shares of HK$0.10 each	**HK$'000**
Authorised:		
At 1 January 2023, 31 December 2023, 1 January 2024 and 31 December 2024	1,000,000,000	100,000
Issued and fully paid:		
At 1 January 2023	426,601,448	42,660
Share options scheme:		
– Exercise of share option *(note 28)*	2,563,000	256
At 31 December 2023, 1 January 2024 and 31 December 2024	429,164,448	42,916

Notes to the Consolidated Financial Statements

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28. 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 31 December 2024, 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 31 December 2024 and 2023, 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.

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Movements in 2011 Former Share Option Scheme

	2024		2023	
	Number of share options	**Weighted average exercise price HK$**	Number of share options	Weighted average exercise price HK$
At 1 January	**28,345,000**	**1.335**	30,908,000	1.325
Exercised	**—**	**—**	(2,563,000)	1.214
At 31 December	**28,345,000**	**1.335**	28,345,000	1.335
Options vested at 31 December	**28,345,000**	**1.335**	28,345,000	1.335

At the end of the reporting period, the options have a weighted average contractual terms of 1.7 years (2023: 2.7 years).

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

		Number of share options	
Expiry date	**Exercise price HK$**	**2024 ’000**	2023 ’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 bonus shares issued in June 2022.

During the year ended 31 December 2024, no share option was exercised (2023: 2,563,000 share option were exercised). As at 31 December 2024, out of the total 28,345,000 (2023: 28,345,000) outstanding options, 28,345,000 options (2023: 28,345,000) are exercisable.

Under the share option schemes, no (2023: no) share-based payment expense has been included in the consolidated statement of profit or loss for 2024 and no (2023: no) corresponding amount has been credited to share based compensation reserve.

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29. TRADE AND OTHER PAYABLES

	2024 HK$'000	2023 HK$'000
Trade payables	**188,009**	169,544
Accrued charges and other payables	**240,581**	169,806
	428,590	339,350
Less: other non-current payables	**(26,394)**	(6,595)
Current portion	**402,196**	332,755

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

	2024 HK$'000	2023 HK$'000
0 – 30 days	**96,530**	76,350
31 – 60 days	**32,205**	26,702
61 – 90 days	**15,262**	14,375
Over 90 days	**44,012**	52,117
	188,009	169,544

Contract liabilities of HK$537,000 (2023: HK$1,031,000) are recognised when a customer pays consideration, or is contractually required to pay consideration and the amounts are already due, before the Group recognised the related revenue. The Group expects to deliver the goods to satisfy the remaining performance obligation of these contract liabilities within one year or less.

Revenue recognised during the year ended 31 December 2024 that was included in the contract liability at the beginning of the year amounted to HK$1,031,000 (2023: HK$1,133,000).

30. AMOUNT DUE TO A NON-CONTROLLING INTEREST

The amount is unsecured, non-interest bearing and repayable on demand.

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31. BORROWINGS

	2024 HK$'000	2023 HK$'000
Current:		
Bank borrowings	**184,814**	108,965
Other borrowings	**14,665**	44,541
	199,479	153,506
Non-current:		
Other borrowings	**—**	7,197
	199,479	160,703

As at 31 December 2024, bank borrowings of HK$184,814,000 (2023: HK$108,965,000), were guaranteed by the Company and subsidiaries of the Company.

The bank borrowings would mature from 1 to 5 years with demand clause (2023: same). The weighted average effective interest rate per annum for borrowings was 5.15% (2023: 6.26%). The carrying amounts of the borrowings approximate their fair values.

Other borrowings represent borrowing from an affiliated company of New Era Cap Hong Kong LLC ("NEHK"), a shareholder of the Company, in which US$960,000 (HK$7,469,000) is unsecured and interest bearing at 8% per annum, while US$925,000 (HK$7,196,000) is unsecured and interest bearing at 7% per annum, and repayable by 7 February 2025 and 19 December 2025, respectively.

The Group has complied with the financial covenants of its bank borrowing facilities during the 2024 and 2023 reporting period.

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32. NOTES TO CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of profit before income tax to net cash generated from operations

	2024 HK$'000	2023 HK$'000
Profit before income tax	**101,252**	177,177
Finance income	**(2,943)**	(2,103)
Finance costs	**14,666**	15,280
Gain on disposal of property, plant and equipment	**—**	(53,897)
(Gain)/loss on investment in an insurance contract	**(264)**	3,827
Fair value losses on financial assets at fair value through profit or loss	**526**	5,521
Fair value (gains)/losses on investment properties	**(4,987)**	205
Depreciation of property, plant and equipment	**54,580**	51,243
Depreciation of right-of-use assets	**15,589**	13,974
Amortisation of other intangible assets	**24,868**	21,293
Net provision for inventories	**13,499**	3,716
Net impairment losses on financial assets	**6,621**	3,750
Gain on deregistration of subsidiaries	**(4,663)**	—
Loss on disposal of subsidiaries	**8,040**	—
Net foreign exchange losses/(gains)	**1,764**	(621)
Share of loss/(profit) from an investment accounted for using equity method	**29**	(150)
Changes in working capital:		
Inventories	**(21,230)**	146,278
Trade receivables and other financial assets at amortised cost	**(32,927)**	108,985
Other current assets	**7,655**	(325)
Trade and other payables	**24,973**	(93,780)
Cash generated from operations	**207,048**	400,373

(b) In the consolidated cash flow statement, proceeds from disposal of property, plant and equipment comprise:

	2024 HK$'000	2023 HK$'000
Net book amount *(note 15)*	**26**	44,990
Gain on disposal of property, plant and equipment	**–**	53,897
Proceeds from disposal of property, plant and equipment	**26**	98,887

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

(c) Reconciliation of liabilities arising from financing activities

This section sets out the movement in liabilities arising from financing activities:

	Borrowings HK$'000	Lease liabilities HK$'000	Dividend payables HK$'000	Total HK$'000
As at 1 January 2023	243,280	67,487	—	310,767
Additions of lease *(note 34)*	—	246	—	246
Dividend declared and approved	—	—	38,576	38,576
Cash flows				
– principal	(82,577)	(11,035)	(38,576)	(132,188)
– interest expenses	—	(1,663)	—	(1,663)
Exchange difference	—	(265)	—	(265)
As at 31 December 2023	160,703	54,770	—	215,473
As at 1 January 2024	**160,703**	**54,770**	**—**	**215,473**
Additions of lease *(note 34)*	**—**	**1,205**	**—**	**1,205**
Termination of lease	**—**	**(1,505)**	**—**	**(1,505)**
Acquisition of a subsidiary *(note 35)*	**15,447**	**22,367**	**—**	**37,814**
Dividend declared and approved	**—**	**—**	**38,627**	**38,627**
Cash flows				
– principal	**23,329**	**(13,654)**	**(38,627)**	**(28,952)**
– interest expenses	**—**	**(1,393)**	**—**	**(1,393)**
Exchange difference	**—**	**(1,497)**	**—**	**(1,497)**
As at 31 December 2024	**199,479**	**60,293**	**—**	**259,772**

33. COMMITMENTS

(a) Capital commitment

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

	2024 HK$'000	2023 HK$'000
Contracted but not provided for	**10,307**	3,867

The above commitment represents capital expenditure commitment relating to construction of a dormitory building, renovation of a warehouse and upgrade in IT system.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

(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. During the year ended 31 December 2024, no capital contribution (2023: RMB4.6 million (approximately HK$5.1 million)) was made. The Group has a commitment of RMB17.9 million (approximately HK$19.0 million) as at 31 December 2024.

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. During the year ended 31 December 2024, a capital contribution of US$0.1 million (approximately HK$0.8 million) (2023: US$0.1 million (approximately HK$0.8 million)) was made. The Group has a commitment of US$0.1 million (approximately HK$0.8 million) as at 31 December 2024.

34. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

(a) Amounts recognised in the consolidated balance sheet

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

	2024 **HK$'000**	2023 HK$'000
Right-of-use assets		
Properties	**55,628**	50,467
	55,628	50,467
Lease liabilities		
Non-current	**45,911**	41,175
Current	**14,382**	13,595
	60,293	54,770

Additions of right-of-use assets during the year ended 31 December 2024 were HK$1,205,000 (2023: HK$246,000).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

(b) Amounts recognised in the consolidated statement of profit or loss

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

	2024 HK$'000	2023 HK$'000
Depreciation charge of right-of-use assets		
– Properties	**15,589**	13,879
– Motor vehicle	**—**	95
	15,589	13,974
Interest expenses (included in finance costs)	**1,393**	1,663
Expenses relating to short-term leases	**7,403**	6,432
Depreciation expenses have been charged as below:		
Cost of sales	**2,163**	2,187
Selling and distribution costs	**2,938**	2,588
Administration expenses	**10,488**	9,199
	15,589	13,974

The total cash outflow for leases during the year ended 31 December 2024 is HK$22,450,000 (2023: HK$20,699,000).

(c) The Group's lease activities and how these are accounted for

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

Accounting policies of right-of-use assets and lease liabilities

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions. To determine the incremental borrowing rate, the Group, where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received and makes any adjustments specific to the lease, for example, term, country, currency and security.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases of premises and all leases of low-value assets are recognised on a straight-line basis as an expense in the consolidated statement of profit or loss. Short-term leases are leases with a lease term of 12 months or less without a purchase option.

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term.

See note 41(x) for the other accounting policies relevant to leases.

35. BUSINESS COMBINATION

Pursuant to an agreement signed between Sharp Assets Limited ("Sharp Assets"), a wholly-owned subsidiary of the Company, and the sole shareholder of Difuzed, Sharp Assets acquired 55% of issued share capital of Difuzed at a cash consideration of EUR5,000,000 (equivalent to HK$43,124,000).

Upon completion of the acquisition on 23 August 2024, Difuzed became a partially-owned subsidiary of the Group. Acquisition-related costs of HK$1,124,000 have been charged to administration expenses in the consolidated statement of profit or loss and in operating cash flows in the consolidated cash flow statement for the year ended 31 December 2024.

The goodwill is attributable to a number of factors, among others, to the synergies in sales and cost saving opportunities expected to arise after the Group's acquisition of this subsidiary. None of the goodwill recognised is expected to be deductible for income tax purposes.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

The provisional fair values of assets acquired and liabilities assumed, the consideration paid and the carrying value of non-controlling interest at the acquisition date are summarised in the table below:

	HK$'000
Consideration	
Total cash consideration	43,124
Recognised amounts of identifiable assets acquired and liabilities assumed	
Property, plant and equipment *(note 15)*	2,111
Other intangible assets *(note 19)*	50,011
Right-of-use assets	22,367
Inventories	29,203
Other financial assets at amortised cost	1,557
Trade receivables	27,619
Cash and cash equivalents	189
Trade and other payables	(65,358)
Lease liabilities	(22,367)
Borrowings	(15,447)
Deferred tax liabilities	(11,648)
Total identifiable net assets	18,237
Share of identifiable net assets by the non-controlling interest	(8,207)
Goodwill	33,094
	43,124
Cash consideration paid	43,124
Less: cash and cash equivalents acquired	(189)
Net cash outflow on acquisition	42,935
Acquisition-related costs included in administration expenses in the consolidated statement of profit or loss for the year	1,124

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

The gross contractual amount for trade receivables due is HK$27,619,000, of which the fair value is HK$27,619,000, and is expected to be collectible.

Deferred income tax liabilities of HK$11,648,000 have been provided in relation to the fair value adjustments of intangible assets arising from the acquisition.

The revenue included in the consolidated statement of profit or loss since 23 August 2024 contributed by Difuzed was HK$63,594,000. It had net loss of HK$14,682,000 over the same period.

Had Difuzed been consolidated from 1 January 2024, the consolidated statement of profit or loss would show pro-forma revenue and profit of HK$1,589,000,000 and HK$47,094,000 respectively.

36. DISPOSAL OF SUBSIDIARIES

During the year ended 31 December 2024, the Company disposed of the entire issued share capital of Sun Sage Limited ("Sun Sage") and its subsidiaries to an independent third party, at a total cash consideration of US$1,217,000 (equivalent to approximately HK$9,467,000). A loss on disposal of approximately HK$8,040,000 was recognised in the consolidated statement of profit or loss for the year ended 31 December 2024. The loss on disposal of the subsidiaries recognised during the year were as follows:

	HK$'000
Consideration	9,467
Carrying amount of net assets sold	17,507
Loss on disposal	8,040

The consideration to be received represented by:

	HK$'000
Consideration	
Cash receivables	9,467
	9,467

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

The carrying amounts of assets and liabilities of Sun Sage and its subsidiaries as at the date of disposal were:

	1 October 2024
	HK$'000
Net assets disposed of	
– Property, plant and equipment *(note 15)*	19
– Trade receivables	643
– Other current assets	1,257
– Inventories	14,819
– Cash and cash equivalents	769
Net assets disposed of	17,507

Net cash outflow on the disposal:

	HK$'000
Consideration received	–
Less: Cash and cash equivalent balances disposed of	(769)
Net cash outflow on disposal	(769)

37. SIGNIFICANT RELATED PARTY TRANSACTIONS

The ultimate holding company of the Company is Successful Years International Company Limited, a company incorporated in the British Virgin Islands. The ultimate controlling party of the Group is Mr. Ngan Hei Keung and Madam Ngan Po Ling, Pauline, *BBS, JP*.

In addition to the transactions and balances disclosed elsewhere in these financial statements, the Group entered into the following significant related party transactions.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

37. SIGNIFICANT RELATED PARTY TRANSACTIONS

(a) Sale and purchase of goods and services

	Note	**2024 HK$'000**	2023 HK$'000
Sales of goods to affiliated companies of a shareholder	(i)	**644,444**	598,728
Rent paid in respect of office premise to directors	(ii)	**202**	202
Rent paid in respect of office and warehouse premises to a shareholder of a subsidiary	(ii)	**1,369**	–
Claim charges paid to affiliated companies of a shareholder	(iii)	**814**	2,949
Interest on borrowings from an affiliated company of a shareholder	(iv)	**2,939**	2,567

(i) Sales of goods to affiliated companies of a shareholder were transacted pursuant to the terms and conditions set out in the manufacturing agreement entered into by the Company and NEHK on 22 November 2019. These transactions are continuing connected transactions as defined in Chapter 14A of the Listing Rules. The Company has complied with the applicable requirements in accordance with Chapter 14A of the Listing Rules as detailed in the section headed "Connected Transactions" in the Report of the Directors in respect of these transactions.

(ii) Rent paid in respect of an office premise to directors were charged at a fixed monthly fee mutually agreed between the two parties as set out in the tenancy agreements entered into by the Company and the directors on 1 April 2022. This transaction is connected transactions as defined in Chapter 14A of the Listing Rules.

Pursuant to the adoption of HKFRS 16, this transaction is one-off connected transaction as defined in Chapter 14A of the Listing Rules. The Group recognised right-of-use assets and lease liabilities of HK$582,000 in relation to the leased premises respectively. The carrying amount of the right-of-use assets and lease liabilities as at 31 December 2024 are HK$49,000 and HK$50,000 respectively.

Rent paid in respect of office and warehouse premises to a shareholder of a subsidiary was charged at a fixed annual fee mutually agreed between the two parties as set out in the tenancy agreement entered into by the Company and a shareholder of a subsidiary on 23 August 2024. This transaction is connected transaction as defined in Chapter 14A of the Listing Rules as detailed in the section headed "Connected Transactions" in the Report of the Directors in respect of these transactions.

Pursuant to the adoption of HKFRS 16, this transaction is one-off connected transactions as defined in Chapter 14A of the Listing Rules. The Group recognised right-of-use assets and lease liabilities of HK$11,460,000 in relation to the leased premises respectively. The carrying amount of the right-of-use assets and lease liabilities as at 31 December 2024 are HK$9,498,000 and HK$9,606,000 respectively.

The Company has complied with the applicable requirements in accordance with Chapter 14A of the Listing Rules.

(iii) Claim charges were paid to affiliated companies of a shareholder at a fee mutually agreed between two parties.

(iv) Interest expenses on borrowings were paid to affiliated companies of a shareholder at 7%–8% per annum (note 31).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

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

	2024 **HK$'000**	2023 HK$'000
Trade receivables from affiliated companies of a shareholder	**185,370**	144,585

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

(c) Year-end balances arising from borrowing

	2024 **HK$'000**	2023 HK$'000
Borrowings from an affiliated company of a shareholder *(note 31)*	**14,665**	51,738

(d) Key management personnel remuneration

Remuneration for the Group's key management personnel, including amounts paid to the Company's directors as disclosed in note 40 and certain of the highest paid employees as disclosed in note 10, is as follows:

	2024 **HK$'000**	2023 HK$'000
Short-term employee benefits	**37,944**	41,100
Retirement scheme contributions	**151**	133
	38,095	41,233

38. CONTINGENT LIABILITIES

As at 31 December 2024 and 2023, the Group had no contingent liabilities.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

39. BALANCE SHEET AND RESERVE OF THE COMPANY

	Note	2024 HK$'000	2023 HK$'000
ASSETS			
Non-current assets			
Interests in subsidiaries		**979,437**	962,998
Financial assets at fair value through profit or loss		**21,035**	19,488
		1,000,472	982,486
Current assets			
Other current assets		**322**	171
Cash and cash equivalents		**7,371**	19,841
		7,693	20,012
Total assets		**1,008,165**	1,002,498
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital		**42,916**	42,916
Other reserves	(a)	**278,687**	278,687
Retained earnings	(a)	**682,276**	677,162
		1,003,879	998,765
LIABILITIES			
Current liabilities			
Trade and other payables		**4,286**	3,733
		4,286	3,733
Total equity and liabilities		**1,008,165**	1,002,498

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

Note (a) Reserve movement of the Company

	Share premium HK$'000	Contributed surplus HK$'000	Share based compensation reserve HK$'000	Retained earnings HK$'000	Total HK$'000
At 1 January 2023	166,117	99,431	10,284	623,221	899,053
Profit for the year	—	—	—	92,517	92,517
2022 final dividend paid	—	—	—	(25,702)	(25,702)
2023 interim dividend paid	—	—	—	(12,874)	(12,874)
Share option scheme:					
– Share options exercised	3,489	—	(634)	—	2,855
At 31 December 2023	169,606	99,431	9,650	677,162	955,849
At 1 January 2024	**169,606**	**99,431**	**9,650**	**677,162**	**955,849**
Profit for the year	**–**	**–**	**–**	**43,741**	**43,741**
2023 final dividend paid	**–**	**–**	**–**	**(25,750)**	**(25,750)**
2024 interim dividend paid	**–**	**–**	**–**	**(12,877)**	**(12,877)**
At 31 December 2024	**169,606**	**99,431**	**9,650**	**682,276**	**960,963**

The contributed surplus of the Company represents the difference between the combined net asset value of the subsidiaries acquired over the nominal value of the share capital of the Company issued in exchange therefor pursuant to a Group reorganisation in 2000.

Under the Companies Act 1981 of Bermuda, contributed surplus is available for distribution to shareholders. However, a company cannot declare or pay a dividend, or make a distribution out of contributed surplus, if:

(i) the company is, or would after the payment be, unable to pay its liabilities as they become due; or

(ii) the realisable value of the company's assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

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40. BENEFITS AND INTERESTS OF DIRECTORS (DISCLOSURES REQUIRED BY SECTION 383 OF THE HONG KONG COMPANIES ORDINANCE (CAP. 622), COMPANIES (DISCLOSURE OF INFORMATION ABOUT BENEFITS OF DIRECTORS) REGULATION (CAP. 622G) AND HK LISTING RULES)

(a) Directors' emoluments

The remunerations of each director for the year are as follows:

For the year ended 31 December 2024

	Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking						
	Year ended 31 December 2024						
	Fees HK$'000	Salaries HK$'000	Discretionary bonus HK$'000	Housing allowances HK$'000	Estimated monetary value of other benefits (Note (a)) HK$'000	Employer's contributions to a retirement benefit scheme HK$'000	Total HK$'000
Mr. Ngan Hei Keung	120	2,470	2,000	–	–	18	4,608
Madam Ngan Po Ling, Pauline, *BBS, JP* *(Managing Director)*	120	1,820	2,000	1,440	–	18	5,398
Mr. James S. Patterson	120	–	311	–	–	–	431
Mr. Ngan Siu Hon, Alexander	120	1,925	–	1,104	–	18	3,167
Mr. Lai Man Sing	120	1,301	–	–	–	7	1,428
*Mr. Andrew Ngan	119	785	280	–	–	18	1,202
Mr. Gordon Ng	180	–	–	–	–	–	180
Mr. Cheung Tei Sing, Jamie	180	–	–	–	–	–	180
Mr. Li Yinquan	180	–	–	–	–	–	180
Total	1,259	8,301	4,591	2,544	–	79	16,774

* Appointed on 4 January 2024

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For the year ended 31 December 2024

For the year ended 31 December 2023

	Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking						
	Year ended 31 December 2023						
	Fees HK$'000	Salaries HK$'000	Discretionary bonus HK$'000	Housing allowances HK$'000	Estimated monetary value of other benefits (Note (a)) HK$'000	Employer's contributions to a retirement benefit scheme HK$'000	Total HK$'000
Mr. Ngan Hei Keung	120	2,470	3,000	—	—	18	5,608
Madam Ngan Po Ling, Pauline, *BBS, JP* *(Managing Director)*	120	1,820	3,000	1,440	—	18	6,398
Mr. James S. Patterson	120	—	311	—	—	—	431
Mr. Ngan Siu Hon, Alexander	120	1,610	—	1,068	—	7	2,805
Mr. Lai Man Sing	120	1,690	—	—	—	18	1,828
*Mr. Leung Shu Yin, William	120	—	—	—	—	—	120
*Mr. Liu Tieh Ching, Brandon, *JP*	120	—	—	—	—	—	120
Mr. Gordon Ng	180	—	—	—	—	—	180
** Mr. Cheung Tei Sing, Jamie	60	—	—	—	—	—	60
** Mr. Li Yinquan	60	—	—	—	—	—	60
Total	1,140	7,590	6,311	2,508	—	61	17,610

* Resigned on 1 September 2023
** Appointed on 1 September 2023

Note (a): Other benefits include leave pay, share option and insurance premium.

No director waived any emoluments in respect of the years ended 31 December 2024 and 2023.

(b) Directors' retirement benefits and termination benefits

None of the directors received or will receive any retirement benefits or termination benefits during the year (2023: Nil).

(c) Consideration provided to third parties for making available directors' services

The Group did not pay consideration to any third parties for making available directors' services during the year (2023: Nil).

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For the year ended 31 December 2024

(d) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

No loans, quasi-loans and other dealing were made available in favour of the directors, controlled body corporates and connected entities of such directors at the end of the year or at any time during the year (2023: Nil).

(e) Directors' material interests in transactions, arrangements or contracts

During the year, the Group entered into business transactions with related parties in the normal course of business. Details of the transactions are disclosed in note 37 to the consolidated financial statements.

Other than the above, no significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

41. SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES

The other potentially material accounting policies adopted 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.

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(a) Principles of consolidation and equity accounting

(i) Subsidiaries

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated balance sheet respectively.

(ii) Joint arrangement

Under HKFRS 11 Joint Arrangements investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement.

Interest in a joint venture is accounted for using the equity method (see (iii) below), after initially being recognised at cost in the consolidated balance sheet.

(iii) Equity method

Under the equity method of accounting, the investment is initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from a joint venture is recognised as a reduction in the carrying amount of the investment.

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For the year ended 31 December 2024

Where the Group's share of loss in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Group and joint ventures are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity-accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in note 41(i).

(iv) Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in separate reserve within equity attributable to owners of the Company.

When the Group ceases to consolidate or equity account for an investment because of a loss of control or joint control, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in the consolidated statement of profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as a joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs.

If the ownership interest in joint venture is reduced but joint control is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

Notes to the Consolidated Financial Statements

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(b) Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the Group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred. The excess of the

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in the consolidated statement of profit or loss as a bargain purchase.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in the consolidated statement of profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in the consolidated statement of profit or loss.

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(c) Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable. Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

(d) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors that make strategic decisions.

(e) Foreign currencies translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in HK$, which is the Company's functional and the Group's presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in the consolidated statement of profit or loss. Foreign exchange gains and losses are presented in the consolidated statement of profit or loss on a net basis within "other (losses)/gains — net".

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair values are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at FVPL are recognised in the consolidated statement of profit or loss as part of the fair value gain or loss and translation differences on nonmonetary asset such as equity classified as financial asset at FVOCI are recognised in other comprehensive income.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

(iii) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(a) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(b) income and expenses for each statement of profit or loss are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

(c) all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, are recognised in other comprehensive income. When a foreign operation is sold, the associated exchange differences are reclassified to the consolidated statement of profit or loss, as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

(iv) Disposal of foreign operation and partial disposal

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation), all of the currency translation differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to consolidated statement of profit or loss.

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in consolidated statement of profit or loss.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

(f) Property, plant and equipment

Except for freehold land with indefinite useful life, all other property, plant and equipment are stated at historical cost less depreciation. Freehold land with indefinite useful life is stated at historical cost less accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as separate asset is derecognised when replaced. All other repairs and maintenance are charged to the consolidated statement of profit or loss during the financial period in which they are incurred.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 41(i)).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "other (losses)/gains — net" in the consolidated statement of profit or loss.

Construction in progress represents property, plant and equipment under construction or pending installation, and is stated at cost less accumulated impairment losses. Cost comprises direct costs of construction including borrowing costs attributable to the construction during the period of construction. No provision for depreciation is made on construction in progress until such time as the relevant assets are completed and ready for intended use.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

(g) Investment properties

Investment properties, principally land and buildings, are held for long-term rental yields or for capital appreciation or both, and that are not occupied by the Group. Land held under operating leases are accounted for as investment properties when the rest of the definition of an investment property is met. In such cases, the operating leases concerned are accounted for as if they were finance leases. Investment property is initially measured at cost, including related transaction costs and where applicable borrowing costs, they are carried at fair values, representing open market value determined at each reporting date by external valuers. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If the information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. Changes in fair values are recorded in the consolidated statement of profit or loss as part of a valuation gain or loss in “other (losses)/gains — net”.

(h) Intangible assets

(i) Goodwill

Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units (“CGUs”) for the purpose of impairment testing. The allocation is made to those CGUs or groups of CGUs that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes, being the operating segments.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

(i) Impairment of non-financial assets

Goodwill not subject to amortisation is tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Assets that are subject to amortisation are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows which are largely independent of the cash inflows from other assets or groups of assets (CGUs). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

(j) Financial assets and liabilities

(i) Classification

The Group classifies its financial assets in the following measurement categories:

— those to be measured subsequently at fair values (either through other comprehensive income or profit or loss), and

— those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair values, gains and losses will either be recorded in the profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at FVOCI.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(ii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

(iii) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at FVPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial asset carried at FVPL are expensed in the consolidated statement of profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories to classify the debt instruments:

(1) Amortised cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in the consolidated statement of profit or loss. Impairment losses are presented as separate line item in the consolidated statement of profit or loss.

(2) Fair value through other comprehensive income

Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in the consolidated statement of profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss. Interest income from these financial assets is included in finance income using the effective interest rate method. Impairment expenses are presented as separate line item in the consolidated statement of profit or loss.

(3) Fair value through profit or loss

Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in the consolidated statement of profit or loss in the period in which it arises.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

Equity instruments

The Group subsequently measures all equity investments at fair values. Where the Group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in the consolidated statement of profit or loss when the Group's right to receive payments is established.

Changes in the fair value of financial asset at FVPL are recognised in "other (losses)/gains — net" in the consolidated statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

(iv) Impairment

The Group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

(k) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the consolidated balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

(l) Inventories

Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

(m) Derivative financial instruments and hedging activities

The Group uses derivative financial instruments such as exchange rate forward contracts to hedge its exposure to currency risks arising from investment activities. In accordance with its treasury policy, the Group does not hold or issue derivative financial instruments for trading purpose.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge).

The Group documents at the inception of the transaction the relationship between the hedging instruments and hedged items, as well as its risk management objective and strategies for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives designated as hedging instruments are highly effective in offsetting changes in cash flows of the hedged items.

The carrying amount of the hedging derivatives are classified as current assets or liabilities if the remaining maturity of hedging relationships are less than 12 months, and as non-current if the remaining maturity of those relationships are more than 12 months.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

(i) ***Forward contracts***

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in cash flow hedge reserve within equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss within other (losses)/gains — net.

When forward contracts are used to hedge forecast transactions, the Group generally designates only the change in fair value of the forward contract related to the spot component as the hedging instrument. Gains or losses relating to the effective portion of the change in the spot component of the forward contracts are recognised in the cash flow hedge reserve within equity. The change in the forward element of the contract that relates to the hedged item ('aligned forward element') is recognised within other comprehensive income in the costs of hedging reserve within equity. In some cases, the Group may designate the full change in fair value of the forward contract (including forward points) as the hedging instrument. In such cases, the gains or losses relating to the effective portion of the change in fair value of the entire forward contract are recognised in the cash flow hedge reserve within equity.

(n) Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Bank overdrafts are shown within borrowings in current liabilities in the consolidated balance sheet.

(o) Share capital

Ordinary shares are classified as equity (note 27). Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(p) Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair values and subsequently measured at amortised cost using the effective interest method.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

(q) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the consolidated statement of profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the consolidated balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in the consolidated statement of profit or loss as finance costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

(r) Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

Other borrowing costs are expensed in the period in which they are incurred.

(s) Current and deferred income tax

The income tax expense for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

Current and deferred tax is recognised in the consolidated statement of profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(t) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision, where appropriate, is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) Pension obligations

Group companies operate various defined contribution pension schemes. The schemes are generally funded through payments to insurance companies or trustee-administered funds, determined by periodic actuarial calculations. The Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis.

The Group also operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "Pension Scheme") set up pursuant to the Mandatory Provident Fund Schemes Ordinance, for all of its employees in Hong Kong. Contributions are made based on a percentage of the employees' basic salaries. The assets of the Pension Scheme are held separately from those of the Group in an independently administrated fund. The Group's employer contributions vest fully with the employees when contributed to the Pension Scheme, except for the Group's employer voluntary contributions, which are refunded to the Group when the employee leaves employment prior to vesting fully in the contributions, in accordance with the rules of the Pension Scheme. The Group has no further payment obligations once the contributions have been paid. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

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Long service payment

The Group's employees in Hong Kong are all eligible for long service payment under the Hong Kong Employment ordinance in the event of the termination of their employment, when they have completed the required number of years of service to the Group. The Group is liable to make such payment in the event that such a termination of employment meets the circumstances specified in the Hong Kong Employment ordinance.

The long service payment liabilities recognised are the present value of the long service payment obligation at the end of the reporting period. Service costs and net interest costs are included in employee benefit expense in the consolidated statement of profit or loss. Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur, directly in other comprehensive income.

Changes in the present value of the long service payment obligation resulting from plan amendments or curtailments are recognised immediately in profit or loss as past service costs.

In addition, pursuant to the government regulations in the PRC, the Group is required to contribute an amount to certain retirement benefit schemes based on approximately 7% to 20% of the wages for the year of those employees in the PRC. The local municipal government undertakes to assume the retirement benefits obligations of those employees of the Group. Contributions to these retirement benefits schemes are charged to the consolidated statement of profit or loss as incurred.

(iii) Profit-sharing and bonus plans

The Group recognises a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

Notes to the Consolidated Financial Statements

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(u) Share-based payments

The Group operates an equity-settled, share-based compensation plans, under which the entity receives services from employees as consideration for equity instruments (options) of the Group. The fair values of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair values of the options granted:

- including any market performance conditions (for example, an entity's share price);
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- including the impact of any non-vesting conditions (for example, the requirement for employees to save or hold shares for a specified period of time).

The total expense is recognised over the vesting period which is the period over which all of the specified vesting conditions are to be satisfied.

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-marketing performance and service conditions. It recognises the impact of the revision to original estimates, if any, in the consolidated statement of profit or loss, with a corresponding adjustment to equity.

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital and share premium.

The grant by the Company of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity.

(v) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

(w) Other income

(i) Rental income

Rental income from investment property is recognised in the consolidated statement of profit or loss on a straight-line basis over the term of the lease.

(ii) Interest income

Interest income on financial assets at amortised cost, calculated using the effective interest method is recognised in the consolidated statement of profit or loss.

Interest income from financial assets at FVPL is included in the net fair value gain on these assets.

(x) Leases (as the lessee for operating leases)

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the fixed lease payments. Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions. To determine the incremental borrowing rate, the Group, where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received and makes any adjustments specific to the lease, for example, term, country, currency and security.

Lease payments are allocated between principal and finance cost. The finance cost is charged to the consolidated statement of profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability,
- prepayment, and
- any initial direct costs.

Entity-specific details about the Group's leasing policy are provided in Note 34.

(y) Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

Financial Summary

Results	Year ended 31 December				
	2020	2021	2022	2023	**2024**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
Revenue	1,048,006	1,600,255	1,874,424	1,418,994	**1,474,488**
Gross profit	318,689	479,224	637,296	476,364	**455,482**
Profit before income tax	53,844	173,113	250,861	177,177	**101,252**
Profit for the year	50,038	137,211	213,307	127,808	**61,832**
Profit for the year attributable to:					
Owners of the Company	45,895	128,076	195,390	117,949	**57,074**
Non-controlling interests	4,143	9,135	17,917	9,859	**4,758**
Basic earnings per share (HK cents)	11.3	30.1*	45.9	27.6	**13.30**
Dividends	20,266	24,320	37,106	38,624	**34,335**

Assets and liabilities	As at 31 December				
	2020	2021	2022	2023	**2024**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
Non-current assets	564,855	598,273	697,091	725,022	**940,361**
Current assets	868,643	1,071,247	1,261,223	1,061,581	**1,004,505**
Current liabilities	(592,286)	(716,948)	(795,694)	(549,000)	**(661,725)**
Net current assets	276,357	354,299	465,529	512,581	**342,780**
Non-current liabilities	(52,799)	(50,451)	(93,639)	(76,420)	**(103,852)**
Net assets	788,413	902,121	1,068,981	1,161,183	**1,179,289**

* Adjusted for the bonus issue 2022

Notes: The information of the financial summary for two years ended 31 December 2024 and 2023 have been extracted from the audited consolidated statement of profit or loss and consolidated balance sheet which are set out on page 79 to page 83 of the annual report.