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## MAINLAND HEADWEAR HOLDINGS LIMITED

飛達帽業控股有限公司\*

*(Incorporated in Bermuda with limited liability)*

(Stock code: 1100)

### ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2024

The board of directors (the “Board”/“Directors”) of Mainland Headwear Holdings Limited (the “Company”) is pleased to announce the financial results of the Company and its subsidiaries (collectively the “Group”/“Mainland Headwear”) for the year ended 31 December 2024.

#### CONSOLIDATED STATEMENT OF PROFIT OR LOSS

*For the year ended 31 December 2024*

	<i>Note</i>	<b>2024</b> <i>HK\$'000</i>	2023 <i>HK\$'000</i>
<b>Revenue</b>	2	<b>1,474,488</b>	1,418,994
Cost of sales		<u>(1,019,006)</u>	<u>(942,630)</u>
<b>Gross profit</b>		<b>455,482</b>	476,364
Other income		<b>30,726</b>	30,953
Other (losses)/gains — net	3	<b>(267)</b>	44,965
Selling and distribution costs		<b>(152,249)</b>	(159,972)
Administration expenses		<b>(214,067)</b>	(198,356)
Net impairment losses on financial assets		<u><b>(6,621)</b></u>	<u>(3,750)</u>
<b>Profit from operations</b>		<b>113,004</b>	190,204
Finance income	4	<b>2,943</b>	2,103
Finance costs	4	<u><b>(14,666)</b></u>	<u>(15,280)</u>
<b>Finance costs – net</b>		<u><b>(11,723)</b></u>	<u>(13,177)</u>

\* *For identification purpose only*

	<i>Note</i>	<b>2024</b> <i>HK\$'000</i>	2023 <i>HK\$'000</i>
<b>Share of (loss)/profit from an investment accounted for using equity method</b>		<u>(29)</u>	<u>150</u>
<b>Profit before income tax</b>	5	<b>101,252</b>	177,177
<b>Income tax expense</b>	6	<u>(39,420)</u>	<u>(49,369)</u>
<b>Profit for the year</b>		<u><b>61,832</b></u>	<u>127,808</u>
<b>Profit attributable to:</b>			
Owners of the Company		<b>57,074</b>	117,949
Non-controlling interests		<u><b>4,758</b></u>	<u>9,859</u>
		<u><b>61,832</b></u>	<u>127,808</u>
<b>Earnings per share for the profit attributable to owners of the Company</b>			
Basic (HK cents per share)	7	<b>13.2989</b>	27.5473
Diluted (HK cents per share)		<u><b>13.1488</b></u>	<u>26.9886</u>

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2024

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

As at 31 December 2024

	<i>Note</i>	<b>2024</b> <i>HK\$'000</i>	2023 <i>HK\$'000</i>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		<b>670,208</b>	551,407
Right-of-use assets		<b>55,628</b>	50,467
Investment properties		<b>54,151</b>	50,065
Goodwill		<b>30,856</b>	–
Other intangible assets		<b>75,380</b>	14,685
Deferred income tax assets		<b>3,171</b>	6,850
Investment accounted for using equity method		<b>393</b>	422
Financial assets at fair value through profit or loss		<b>41,885</b>	42,233
Other financial assets at amortised cost	9	<b>1,442</b>	2,012
Other non-current assets		<b>7,247</b>	6,881
		<b>940,361</b>	725,022
<b>Current assets</b>			
Inventories		<b>395,767</b>	373,652
Trade receivables	9	<b>375,642</b>	321,399
Financial assets at fair value through profit or loss		<b>4,216</b>	4,219
Other financial assets at amortised cost	9	<b>18,707</b>	8,176
Other current assets	10	<b>15,129</b>	24,080
Tax recoverable		<b>3,251</b>	3,251
Short-term deposits		<b>12,155</b>	8,955
Cash and cash equivalents		<b>179,638</b>	317,849
		<b>1,004,505</b>	1,061,581
<b>Total assets</b>		<b>1,944,866</b>	1,786,603
<b>EQUITY AND LIABILITIES</b>			
Equity attributable to owners of the Company			
Share capital		<b>42,916</b>	42,916
Other reserves		<b>208,235</b>	220,015
Retained earnings		<b>866,089</b>	847,642
		<b>1,117,240</b>	1,110,573
Non-controlling interests		<b>62,049</b>	50,610
<b>Total equity</b>		<b>1,179,289</b>	1,161,183

	<i>Note</i>	<b>2024</b> <i>HK\$'000</i>	2023 <i>HK\$'000</i>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Other payables	11	<b>26,394</b>	6,595
Borrowings		–	7,197
Lease liabilities		<b>45,911</b>	41,175
Deferred income tax liabilities		<b>31,547</b>	21,453
		<u><b>103,852</b></u>	<u>76,420</u>
<b>Current liabilities</b>			
Trade and other payables	11	<b>402,196</b>	332,755
Amount due to a non-controlling interest		<b>498</b>	537
Borrowings		<b>199,479</b>	153,506
Lease liabilities		<b>14,382</b>	13,595
Current income tax liabilities		<b>45,170</b>	48,607
		<u><b>661,725</b></u>	<u>549,000</u>
<b>Total liabilities</b>		<u><b>765,577</b></u>	<u>625,420</u>
<b>Total equity and liabilities</b>		<u><b>1,944,866</b></u>	<u>1,786,603</u>
<b>Net current assets</b>		<u><b>342,780</b></u>	<u>512,581</u>
<b>Total assets less current liabilities</b>		<u><b>1,283,141</b></u>	<u>1,237,603</u>

## 1. ACCOUNTING POLICIES

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

### (a) Basis of preparation

The consolidated financial statements of the 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”), other non-current assets and investment properties, which are measured at fair values.

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

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

The Group has applied the following 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.

## 2. SEGMENT INFORMATION

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

The executive directors assess the performance of the operating segments based on reportable segment profit/(loss), which excludes fair value 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 People's Republic of China ("PRC"). Customers are mainly located in the United States of America (the "USA") and Europe.
- (ii) **Trading Business:** The trading and distribution of headwear, apparel, small leather goods, bags and accessories of the Group is operating through Drew Pearson International (Europe) Ltd. ("DPI Europe") and Difuzed B.V. ("Difuzed") which focus on the Europe market, and H3 Sportgear LLC ("H3"), San Diego Hat Company ("SDHC") and Aquarius Ltd ("AQ") which focus on the USA market. Before October 2024, the Group also engages in e-commerce business which mainly focus on the USA market.



	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	<b>931,812</b>	821,760	<b>542,676</b>	597,234	<b>1,474,488</b>	1,418,994
Inter-segment revenue	<b>45,772</b>	55,202	–	–	<b>45,772</b>	55,202
Reportable segment revenue	<b>977,584</b>	876,962	<b>542,676</b>	597,234	<b>1,520,260</b>	1,474,196
Reportable segment cost of sales	<b>(637,525)</b>	(534,491)	<b>(381,481)</b>	(408,139)	<b>(1,019,006)</b>	(942,630)
Reportable segment profit/(loss)	<b>190,576</b>	186,886	<b>(95,443)</b>	(56,563)	<b>95,133</b>	130,323
Financial assets at fair value through profit or loss — fair value losses					<b>(526)</b>	(5,521)
Fair value gains/(losses) on investment properties					<b>4,987</b>	(205)
Gain on disposal of property, plant and equipment					–	53,897
Unallocated corporate income					<b>33,290</b>	30,329
Unallocated corporate expenses					<b>(19,880)</b>	(18,619)
Profit from operations					<b>113,004</b>	190,204
Finance income					<b>2,943</b>	2,103
Finance costs					<b>(14,666)</b>	(15,280)
Share of (loss)/profit from an investment accounted for using equity method					<b>(29)</b>	150
Income tax expense					<b>(39,420)</b>	(49,369)
Profit for the year					<b>61,832</b>	127,808
Depreciation of property, plant and equipment	<b>49,141</b>	42,793	<b>5,439</b>	8,450	<b>54,580</b>	51,243
Depreciation of right-of-use assets	<b>4,437</b>	5,315	<b>11,152</b>	8,659	<b>15,589</b>	13,974
Amortisation of other intangible assets	–	–	<b>24,868</b>	21,293	<b>24,868</b>	21,293
Net provision for inventories	<b>2,786</b>	1,966	<b>10,713</b>	1,750	<b>13,499</b>	3,716
Net impairment losses for financial assets	<b>4,622</b>	(3,559)	<b>1,999</b>	7,309	<b>6,621</b>	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. 42.4% (2023: 51.5%) and 48.2% (2023: 43.2%) 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	<b>837,367</b>	794,939	<b>808,639</b>	557,820	<b>1,646,006</b>	1,352,759
Investment properties					<b>54,151</b>	50,065
Deferred income tax assets					<b>3,171</b>	6,850
Investment accounted for using equity method					<b>393</b>	422
Financial assets at fair value through profit or loss					<b>46,101</b>	46,452
Tax recoverable					<b>3,251</b>	3,251
Short-term deposits					<b>12,155</b>	8,955
Cash and cash equivalents					<b>179,638</b>	317,849
Total assets					<b>1,944,866</b>	1,786,603
Reportable segment liabilities	<b>271,142</b>	186,589	<b>207,588</b>	199,900	<b>478,730</b>	386,489
Deferred income tax liabilities					<b>31,548</b>	21,453
Current income tax liabilities					<b>45,170</b>	48,607
Borrowings					<b>199,479</b>	160,703
Other corporate liabilities					<b>10,650</b>	8,168
Total liabilities					<b>765,577</b>	625,420
Capital expenditure incurred during the year	<b>33,432</b>	145,653	<b>177,373</b>	7,986	<b>210,805</b>	153,639

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.

Capital expenditure incurred during the year comprises additions to property, plant and equipment, intangible assets and right-of-use assets.

(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.

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

(ii) **Non-current assets**

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

	<b>2024</b> <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Bangladesh	<b>264,169</b>	297,205
USA	<b>315,405</b>	188,223
Mexico	<b>128,385</b>	113,577
PRC	<b>38,402</b>	35,116
Hong Kong	<b>14,996</b>	20,768
Europe	<b>58,568</b>	6,365
	<hr/>	<hr/>
	<b>819,925</b>	661,254
Other intangible assets	<b>75,380</b>	14,685
Deferred income tax assets	<b>3,171</b>	6,850
Financial assets at fair value through profit or loss	<b>41,885</b>	42,233
	<hr/>	<hr/>
	<b>940,361</b>	725,022
	<hr/> <hr/>	<hr/> <hr/>

### 3. OTHER (LOSSES)/GAINS — NET

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Financial assets at fair value through profit or loss		
— fair value losses	(526)	(5,521)
Net foreign exchange (losses)/gain	(1,764)	621
Fair value gains/(losses) on investment properties	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	264	(3,827)
Loss on disposal of subsidiaries	(8,040)	—
Others	149	—
	<u>(267)</u>	<u>44,965</u>

Note:

During the year ended 31 December 2024, the Group deregistered certain subsidiaries in the PRC which was dormant, 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-off on accruals and payables of HK\$2,855,000.

### 4. FINANCE COSTS — NET

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Interest on bank loans and other borrowings	(10,780)	(10,723)
Interest on lease liabilities	(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	<u>(11,723)</u>	<u>(13,177)</u>

## 5. PROFIT BEFORE INCOME TAX

Profit before income tax is stated after charging:

	<b>2024</b>	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
Depreciation of property, plant and equipment	<b>54,580</b>	51,243
Depreciation of right-of-use assets	<b>15,589</b>	13,974
Amortisation of other intangible assets	<b>24,868</b>	21,293
Net impairment losses on financial assets	<b>6,621</b>	3,750
Net provision for inventories	<b>13,499</b>	3,716
	<b><u>118,157</u></b>	<b><u>94,976</u></b>

## 6. INCOME TAX EXPENSE

	<b>2024</b>	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current year		
— Hong Kong profits tax	—	—
— Overseas tax	<b>34,087</b>	29,821
	<b>34,087</b>	29,821
Under/(over)-provision in prior years		
— Hong Kong profits tax	<b>1,520</b>	3,321
— Overseas tax	—	(200)
	<b>35,607</b>	32,942
Deferred income tax	<b>3,813</b>	16,427
	<b>39,420</b>	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 1.22% (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.

## 7. EARNINGS PER SHARE

### (a) Basic

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year.

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

**(b) Diluted**

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

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

## 8. 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.

	<b>2024</b>	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interim dividend of 3 HK cents (2023: 3 HK cents) per share	<b>12,874</b>	12,874
Proposed final dividend of 5 HK cents (2023: 6 HK cents) per share	<b>21,458</b>	25,750
	<u><b>34,332</b></u>	<u>38,624</u>

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

	<b>2024</b>	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables	<b>400,015</b>	339,151
Less: provision for impairment losses	<b>(24,373)</b>	(17,752)
Trade receivables, net	<b>375,642</b>	321,399
Other financial assets at amortised cost	<b>18,560</b>	10,188
	<b>394,202</b>	331,587
Less: non-current portion of other financial assets at amortised cost	<b>(1,442)</b>	(2,012)
Current portion	<b>392,760</b>	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:

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

(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:

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

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

*Other financial assets at amortised cost*

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

## 10. OTHER CURRENT ASSETS

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Other prepayments	9,426	14,504
Prepayments to suppliers	5,703	9,576
	<u>15,129</u>	<u>24,080</u>

## 11. TRADE AND OTHER PAYABLES

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

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

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
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
	<u>188,009</u>	<u>169,544</u>

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).

## **12. 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 B.V. (“Difuzed”), Sharp Assets acquired 55% of issued share capital of Difuzed B.V. 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.

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:

	<i>HK\$'000</i>
<b>Consideration</b>	
Total cash consideration	<u>43,124</u>
<b>Recognised amounts of identifiable assets acquired and liabilities assumed</b>	
Property, plant and equipment	2,111
Other intangible assets	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	<u>(11,648)</u>
Total identifiable net assets	<u>18,237</u>
Share of identifiable net assets by the non-controlling interest	(8,207)
Goodwill	<u>33,094</u>
	<u>43,124</u>
Cash consideration paid	43,124
Less: cash and cash equivalents acquired	<u>(189)</u>
Net cash outflow on acquisition	<u>42,935</u>
Acquisition-related costs included in administration expenses in the consolidated statement of profit or loss for the year	<u>1,124</u>

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.

The fair value of the acquired identifiable assets was provisional pending receipt of the final valuation of those assets. 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\$14,414,000 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 loss from continuing operations of HK\$178,106,000 and HK\$26,985,000 respectively.

## **BUSINESS REVIEW**

### **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.

### **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\$750,600,000, 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 Mexican 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.

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 490 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\$56,583,000).

## **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.

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.

## **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 HK\$196.0 million (2023: HK\$331.0 million). About 44.8%, 16.9% and 12.7% 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\$750.6 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.

## **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 Euro 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, Bangladesh Taka or Mexican peso. The Group estimates that any 1% appreciation of the Bangladesh Taka is expected to reduce the gross margin of the Manufacturing Business by about 0.25%. Any 1% appreciation of other currencies is expected to have insignificant impact on the gross margin of the Manufacturing Business.

## **Employees and Remuneration Policies**

At 31 December 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\$343.1 million). The Group ensures that the pay levels of its employees are competitive and employees were remunerated based on their position and performance. Key employees of the Group, including Directors, are also granted share options under the share option schemes operated by the Company.

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

The Directors recommend the payment of a final dividend of 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 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.

## **ANNUAL GENERAL MEETING**

To determine the identity of members who are entitled to attend and vote at the forthcoming Annual General Meeting which will be held on 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.

## **PURCHASE, SALES 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.

## **CODE ON CORPORATE GOVERNANCE PRACTICES**

In the opinion of the Board, the Company has complied with the Code Provisions in the Code on Corporate Governance Practices (the “Code”) as set out in Appendix 14 of the Listing Rules during the year ended 31 December 2024.

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules. All Directors have confirmed, following enquiry by the Company, that they have complied with the required standard set out in the Model Code throughout the year ended 31 December 2024.

## **REVIEW OF FINANCIAL STATEMENTS**

The Audit Committee has reviewed the Group’s consolidated financial statements for the year ended 31 December 2024, including the accounting principles and practices adopted by the Group.

## **SCOPE OF WORK OF PRICEWATERHOUSECOOPERS**

The figures in respect of the Group’s consolidated balance sheet, consolidated statement of profit or loss, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2024 as set out in the preliminary announcement have been agreed by the Group’s auditor, PricewaterhouseCoopers, to the amounts set out in the Group’s draft consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by PricewaterhouseCoopers on the preliminary announcement.

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

Hong Kong, 26 March 2025

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