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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 INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2025

The Board of Directors (the "Board" or the "Directors") of Mainland Headwear Holdings Limited (the "Company") hereby announces the unaudited interim results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2025 (the "Period") together with comparative figures for the corresponding period in 2024.

Interim Condensed Consolidated Statement of Profit or Loss (Unaudited)

For the six months ended 30 June 2025

		Six months ended 30 June	
		2025	2024
		(Unaudited)	(Unaudited)
	Note	***HK$'000***	*HK$'000*
Revenue	3	**845,629**	687,114
Cost of sales		**(590,525)**	(467,604)
Gross profit		**255,104**	219,510
Other income		**14,680**	15,700
Other gains – net		**7,527**	5,298
Selling and distribution costs		**(61,491)**	(71,705)
Administration expenses		**(128,471)**	(101,592)
Net impairment on financial assets		**(2,620)**	(2,163)
Profit from operations	4(a)	**84,729**	65,048

* *For identification purpose only*

		Six months ended 30 June	
		2025	2024
		(Unaudited)	(Unaudited)
	Note	***HK$'000***	*HK$'000*
Finance income		**1,093**	2,047
Finance costs		**(8,550)**	(8,637)
Finance costs – net	4(b)	**(7,457)**	(6,590)
Share of loss from an investment accounted for using equity method		**–**	(15)
Profit before income tax		**77,272**	58,443
Income tax expense	5	**(19,693)**	(18,464)
Profit for the period		**57,579**	39,979
Attributable to:			
Owners of the Company		**59,918**	35,269
Non-controlling interests		**(2,339)**	4,710
		57,579	39,979
Earnings per share attributable to owners of the Company			
Basic (HK cents per share)	6(a)	**13.962**	8.218
Diluted (HK cents per share)	6(b)	**13.856**	8.141

Interim Condensed Consolidated Statement of Comprehensive Income (Unaudited)
For the six months ended 30 June 2025

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

Interim Condensed Consolidated Balance Sheet (Unaudited)

As at 30 June 2025

	Note	**30 June 2025 (Unaudited)** *HK$'000*	31 December 2024 (Audited) *HK$'000*
ASSETS			
Non-current assets			
Property, plant and equipment	8	**664,000**	670,208
Right-of-use assets	9	**56,482**	55,628
Investment properties	8	**52,482**	54,151
Goodwill		**35,416**	30,856
Other intangible assets	8	**70,653**	75,380
Deferred income tax assets		**2,828**	3,171
Investment accounted for using equity method		**–**	393
Financial assets at fair value through profit or loss		**38,090**	41,885
Other financial assets at amortised cost	10	**2,605**	1,442
Other non-current assets		**7,151**	7,247
		929,707	940,361
Current assets			
Inventories		**350,842**	395,767
Trade receivable	10	**401,737**	375,642
Financial assets at fair value through profit or loss		**4,149**	4,216
Other financial assets at amortised cost	10	**17,567**	18,707
Other current assets		**15,103**	15,129
Tax recoverable		**3,251**	3,251
Short-term deposits		**10,212**	12,155
Cash and cash equivalents		**229,069**	179,638
		1,031,930	1,004,505
Total assets		**1,961,637**	1,944,866

	Note	**30 June 2025 (Unaudited) *HK$'000***	31 December 2024 (Audited) *HK$'000*
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital		**42,916**	42,916
Other reserves		**216,718**	208,235
Retained earnings		**904,549**	866,089
		1,164,183	1,117,240
Non-controlling interests		**59,138**	62,049
Total equity		**1,223,321**	1,179,289
LIABILITIES			
Non-current liabilities			
Other payables	11	**22,812**	26,394
Lease liabilities	9	**47,028**	45,911
Deferred income tax liabilities		**31,967**	31,547
		101,807	103,852
Current liabilities			
Trade and other payables	11	**364,332**	402,196
Amount due to a non-controlling interest		**498**	498
Borrowings		**195,047**	199,479
Lease liabilities	9	**13,611**	14,382
Current income tax liabilities		**63,021**	45,170
		636,509	661,725
Total liabilities		**738,316**	765,577
Total equity and liabilities		**1,961,637**	1,944,866
Net current assets		**395,421**	342,780
Total assets less current liabilities		**1,325,128**	1,283,141

Notes

1. BASIS OF PREPARATION

This interim condensed consolidated financial information for the six months ended 30 June 2025 has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim financial reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This interim condensed consolidated financial information does not include all the notes of the type normally included in annual consolidated financial statements. Accordingly, this interim condensed consolidated financial information should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2024, which have been prepared in accordance with HKFRS Accounting Standards.

This interim condensed consolidated financial information is presented in Hong Kong dollars ("HK$'000") and has not been audited.

2. ACCOUNTING POLICIES

The accounting policies applied are consistent with those of the annual consolidated financial statements for the year ended 31 December 2024, as described in those annual consolidated financial statements, except for adoption of new and amended standards and the accounting policy for investment in an insurance contract set out below.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected annual earnings.

(a) New and amended standards adopted by the Group

A number of new or amended standards became applicable for the current reporting period. The Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards.

(b) New and amended standards and interpretations not yet adopted by the Group

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for this reporting period and have not been early adopted by the Group. The Group plans to adopt the new standards and amendments to accounting standards and interpretation when they become effective. Further information about those HKFRSs that are expected to be applicable to the Group is described below.

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

3. SEGMENT INFORMATION

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

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

The executive directors consider the business from a business perspective whereby management assesses the performance of business operations by segment as follows:

(i) Manufacturing Business: The Group manufactures headwear products for sale to its Trading Business as well as to external customers. The principal manufacturing facilities are located in Bangladesh and Mexico. Customers are mainly located in the United States (the "USA") and Europe.

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

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

Segment assets exclude investment properties, deferred income tax assets, investment accounted for using equity method, financial assets at FVPL, tax recoverable, short-term deposits and cash and cash equivalents. In addition, corporate assets which are not directly attributable to the business activities of any operating segment are not allocated to a segment, which primarily applies to the Group's headquarters.

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

Segment liabilities exclude current and deferred income tax liabilities, borrowings and other corporate liabilities which are not directly attributable to the business activities of any operating segment.

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

4. PROFIT BEFORE INCOME TAX

An analysis of the amounts debited/(credited) to profit before income tax in the interim condensed consolidated financial information is given below:

	Six months ended 30 June	
	2025	2024
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
(a) Operating profit		
Gain on disposal of financial assets at FVPL	**(2,272)**	–
Fair value gain on financial assets at FVPL	**(854)**	(2,322)
Fair value loss on investment properties	**2,373**	–
Change in value of investment in insurance contracts	**(172)**	(135)
Provision for investment accounted for using equity method	**393**	–
Net exchange gain	**(6,114)**	(2,841)
Depreciation of property, plant and equipment	**31,654**	28,078
Depreciation of right-of-use assets	**8,991**	7,101
Short-term lease expenses	**5,626**	3,938
Amortisation of other intangible assets	**11,239**	11,995
Net provision for inventories *(note (i))*	**2,999**	1,162
Net impairment on trade receivables *(note (ii))*	**2,620**	2,163

Notes:

(i) Provision for obsolete inventories of HK$2,999,000 has been made during the six months ended 30 June 2025 (six months ended 30 June 2024: HK$1,162,000), after considering their physical condition, market demand and historical usage of those inventories.

(ii) Provision for the expected credit losses made during the six months ended 30 June 2025 was mainly related to the trade receivables of customers in the USA and Europe after assessing the customers' business outlook and past repayment pattern. Based on the assessment of expected credit loss, the Group has made a provision of HK$2,620,000 during the period ended 30 June 2025 (six months ended 30 June 2024: HK$2,163,000).

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

5. INCOME TAX EXPENSE

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

Income tax expense in the interim periods is recognised based on management's estimate of the weighted average annual income tax rate expected for the full financial year.

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 June 2024: 16.5%) on the estimated assessable profits for the period. Taxation on overseas profits has been calculated on the estimated assessable profits for the period at the rates of taxation prevailing in the countries in which the Group operates.

6. EARNINGS PER SHARE

(a) Basic

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

	Six months ended 30 June	
	2025	2024
	(Unaudited)	(Unaudited)
Profit attributable to owners of the Company *(HK$'000)*	**59,918**	35,269
Weighted average number of ordinary shares in issue	**429,164,448**	429,164,448
Basic earnings per share *(HK cents)*	**13.962**	8.218

(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.

The calculation of diluted earnings per share was based on the profit attributable to owners of the Company and the weighted average number of ordinary shares, which was calculated as follows:

	Six months ended 30 June	
	2025	2024
	(Unaudited)	(Unaudited)
Profit attributable to owners of the Company *(HK$'000)*	**59,918**	35,269
Weighted average number of ordinary shares in issue	**429,164,448**	429,164,448
Adjustment for share options	**3,282,562**	4,077,891
Weighted average number of ordinary shares for diluted earnings per share	**432,447,010**	433,242,339
Diluted earnings per share *(HK cents)*	**13.856**	8.141

7. DIVIDENDS

(a) Dividends attributable to the period

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

The interim dividend declared after the balance sheet date has not been recognised as a liability at the balance sheet date, but will be reflected as an appropriation of retained earnings for the six months ended 30 June 2025. The amount of proposed interim dividend was based on 429,164,448 (30 June 2024: 429,164,448) shares in issued as at 30 June 2025.

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

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

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

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

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

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

9. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

The interim condensed consolidated balance sheet shows the following amounts relating to the leases in respect of properties:

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

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

10. TRADE RECEIVABLES AND OTHER FINANCIAL ASSETS AT AMORTISED COST

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

The carrying amounts approximate their fair values.

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

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

11. TRADE AND OTHER PAYABLES

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

FINANCIAL REVIEW

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

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

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

BUSINESS REVIEW

Manufacturing Business

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

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

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

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

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

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

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

Trading Business

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

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

PROSPECTS

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

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

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

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

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

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

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

LIQUIDITY AND FINANCIAL RESOURCES

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

The borrowings over total equity ratio of the Group is at 15.9% (31 December 2024: 16.9%). In view of the strong financial and liquidity position, the Group has sufficient financial resources to meet its commitments and working capital requirements.

CAPITAL EXPENDITURE

During the Period, the Group spent approximately HK$9.4 million on renovation of the property in Missouri, the USA (30 June 2024: HK$102.4 million to acquire the property as office and warehouse). The Group also spent HK$15.6 million (30 June 2024: HK$24.2 million) on additions to equipment and machineries to further upgrade and expand its manufacturing capabilities. Also the Group spent HK$1.2 million (30 June 2024: HK$1.0 million) on additions of equipment and systems of Trading Business.

As at 30 June 2025, the Group had authorised a capital commitment of HK$151.4 million for the construction of a warehouse in Mexico factory, expansions in Bangladesh and Cambodia. The Group had also authorised a capital commitment of HK$4.0 million in respect of equipment upgrade.

EXCHANGE RISK

Most assets and liabilities of the Group are denominated either in HK dollars, US dollars, Renminbi or Bangladesh Taka. The Group estimates that 1% appreciation/depreciation of Bangladesh Taka is expected to reduce/increase the gross margin of the Manufacturing Business by about 0.25%. Any 1% appreciation of other currencies is expected to have insignificant impact on the gross margin of the Manufacturing Business.

EMPLOYEES AND REMUNERATION POLICIES

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

INTERIM DIVIDEND

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

CLOSURE OF REGISTER OF MEMBERS

To determine the identity of members who are entitled to the interim dividend of the Company for the period ended 30 June 2025, the register of members of the Company will be closed from 17 September 2025 to 19 September 2025 (both dates inclusive). In order to qualify for the interim dividend, all transfers, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong Branch Share Registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on 16 September 2025.

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

During the six months ended 30 June 2025, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

CODE ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the Board, the Company has complied with the code provisions in the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Listing Rules during the six months ended 30 June 2025.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules. All Directors have confirmed, following enquiries by the Company, that they have complied with the required standard set out in Model Code throughout the period ended 30 June 2025.

AUDIT COMMITTEE

The Company has complied with Rule 3.21 of the Listing Rules in relation to the establishment of an audit committee. The audit committee members comprise of all independent non-executive directors. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control procedures of the Group. The audit committee has reviewed the interim condensed consolidated financial information for the period ended 30 June 2025.

By Order of the Board
Ngan Hei Keung
Chairman

Hong Kong, 26 August 2025

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