



Mainland Headwear Holdings Limited

(Stock code: 1100)

★ 香港
Hong Kong
(Headquarters)

加利福尼亚
California
(SDHC & H3 Office)

聖路易斯
St. Louis
(AQ Office)

倫敦
London
(UK Office)

阿姆斯特丹
Amsterdam
(Netherlands Office)



2025 ANNUAL REPORT

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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

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 2025.

OVERVIEW

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

Chairman's Statement

FINANCIAL REVIEW

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

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

BUSINESS REVIEW

Manufacturing Business

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

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

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

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

Chairman's Statement

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

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

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

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

Trading Business

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

Taking into account the sales contribution from Difuzed, the Dutch licensed product development company, revenue from the trading segment increased by 16.9% year-on-year to HK\$634,188,000 (2024: HK\$542,676,000), constituting 37.3% of the Group's total revenue.

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

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

Chairman's Statement

PROSPECTS

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

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

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

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

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

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

Chairman's Statement

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

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 2026

Management Discussion and Analysis

LIQUIDITY AND FINANCIAL RESOURCES

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

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

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

CAPITAL EXPENDITURE

During the year, the Group incurred approximately HK\$36.4 million (2024: HK\$33.4 million) the additions to plant and equipment to upgrade its manufacturing capability and expansion in the Mexico, Bangladesh and Cambodia factories. The Group incurred HK\$12.0 million (2024: HK\$138.4 million) on the renovation of a warehouse in Missouri, the USA and on equipment and systems of Trading business.



Management Discussion and Analysis

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

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

EXCHANGE RISK

Most assets and liabilities of the Group are denominated either in Hong Kong dollars, United States dollars, Renminbi, 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 2025, the Group employed 162 (2024: 162) employees in Chinese Mainland (include Hong Kong), 7,326 (2024: 7,417) employees in Bangladesh, 650 employees in Mexico (2024: 427), 302 employees in Cambodia (2024: nil) and a total of 175 (2024: 194) employees in the USA and Europe. The expenditures for employees during the year were approximately HK\$436.8 million (2024: HK\$398.0 million). The Group ensures that the pay levels of its employees are competitive and employees were remunerated based on their position and performance. Key employees of the Group, including Directors, are also granted share options under the share option schemes operated by the Company.



Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Ngan Hei Keung

aged 70, 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 66, 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 Honorary Fellowship of The Education University of Hong Kong, 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 55, 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 35, 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 58, 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 38, 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 61, 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.

Biographical Details of Directors and Senior Management

Mr. Cheung Tei Sing Jamie

aged 55, 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 70, 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 48, 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 68, 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. Gilbert El-Kalaani

Aged 56, founder and CEO of Difuzed B.V. (“Difuzed”) since 1994. Difuzed became a 55% owned subsidiary of the Group since August 2024. He is the CEO of the Trading Business of the Group. 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.

Mr. Courtney Bush

aged 50, 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 65, 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 United Kingdom (“UK”) operations. Mr. Kapoor obtained a bachelor degree from the University of Newcastle Upon Tyne in the UK and has over 30 years of experience in the headwear industry in Europe.

Mr. Michael Ball

aged 57, 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 59, 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.

Corporate Governance Report

The Company is committed to maintaining a high standard of corporate governance practices. The Board considers shareholders can maximize 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 2025.

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’ meeting, board meetings, nomination committee meeting, remuneration committee meeting and audit committee meetings in 2025 are as follows:

	Shareholders’ Meeting	Board Meeting	Nomination Committee Meeting	Remuneration Committee Meeting	Audit Committee Meeting
Number of meetings	1	4	1	1	2
Executive Directors					
Mr. Ngan Hei Keung <i>(Chairman)</i>	1/1	2/4	1/1	N/A	N/A
Madam Ngan Po Ling, Pauline, <i>BBS, JP</i> <i>(Deputy Chairman and Managing Director)</i>	1/1	2/4	N/A	0/1	N/A
Mr. James S. Patterson	0/1	2/4	N/A	N/A	N/A
Mr. Ngan Siu Hon, Alexander <i>(Chief Strategic Officer)</i>	0/1	4/4	N/A	1/1	N/A
Mr. Lai Man Sing <i>(Chief Financial Officer)</i>	1/1	4/4	N/A	N/A	N/A
Mr. Andrew Ngan	1/1	4/4	1/1	N/A	N/A
Independent Non-executive Directors					
Mr. Gordon Ng	1/1	4/4	1/1	1/1	2/2
Mr. Cheung Tei Sing, Jamie	1/1	4/4	1/1	1/1	2/2
Mr. Li Yinquan	1/1	4/4	1/1	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. The Board has designated Mr. Gordon Ng to assume the position of the lead independent Non-executive Director for three years with effect from 30 June 2025. 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 more than nine years. 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 2025, 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 eight 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 1:0.8 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, Madam Ngan Po Ling (appointed on 30 June 2025), Pauline, *BBS, JP* and Mr. Andrew Ngan. Mr. Ngan Hei Keung was resigned as a member of the Committee on 30 June 2025.

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. No candidate was nominated for directorship in 2025.

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 statute 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 2025. 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 2025, 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 2025 are set out in note 38(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 28 to the financial statements.

The remuneration of senior management whose names appear in the 2025 and 2024 "Biographical Details of Directors and Senior Management" section are within the following bands:

	2025	2024
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	—	—
HK\$2,000,001 — HK\$2,500,000	1	1
HK\$2,500,001 — HK\$3,000,000	1	2
HK\$3,000,001 — HK\$3,500,000	1	—

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 2025.

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 2025, 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 87 to 92 of the annual report for the year ended 31 December 2025.

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 2025.

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 2024;
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 2025;
4. reviewed and approved the Group's internal audit plan for 2026;
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 2024;
7. reviewed the interim report and the interim results announcement for the six months ended 30 June 2025;
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 2025.

The remuneration of the Group's external auditor is HK\$2,870,000 for audit fees and HK\$137,000 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.

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.

Corporate Governance Report

(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.

(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.

Corporate Governance Report

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 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.

(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 2025 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 2025, 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 2025, 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 2025 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 2025 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 2026 Annual General Meeting. The external auditor of the Company shall also attend the 2026 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 2025.

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 (2024: 3 HK cent) per share, totaling HK\$12,875,000 was paid on 10 October 2025. The Directors recommend the payment of a final dividend of 6 HK cents per share (2024: 5 HK cents per share) in respect of the year ended 31 December 2025. Subject to the approval at the forthcoming annual general meeting, the final dividend will be payable on or after 18 June 2026 to the shareholders whose names appear on the register of members at the close of the business on 4 June 2026, being the record date for determination of entitlements to the final dividend.

To determine the identity of members who are entitled to attend and vote at the forthcoming Annual General Meeting which will be held on 22 May 2026, the register of members of the Company will be closed from 19 May 2026 to 22 May 2026 (both dates inclusive). In order to qualify to attend the Annual General Meeting, all transfers, accompanied by the relevant share certificates, must be lodged with the Company’s Hong Kong Branch Share Registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on 18 May 2026.

To determine the identity of members who are entitled to the final dividend of the Company for the year ended 31 December 2025, the register of members of the Company will be closed from 1 June 2026 to 4 June 2026 (both dates inclusive). In order to qualify for the proposed final dividend, all transfers, accompanied by the relevant share certificates, must be lodged with the Company’s Hong Kong Branch Share Registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on 29 May 2026.

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 180.

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	—	43.8%
Five largest customers in aggregate	—	61.3%
The largest supplier	17.2%	—
Five largest suppliers in aggregate	46.6%	—

As at 31 December 2025, 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 2025 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 37(a) to the financial statements.

As at 31 December 2025, the Company's reserves available for cash distribution amounted to HK\$844,196,000 (2024: HK\$781,707,000) as computed in accordance with the Companies Act 1981 of Bermuda. In addition, the Company's share premium account of HK\$169,606,000 (2024: HK\$169,606,000) as at 31 December 2025 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\$2,650,000 charitable and other donations during the year (2024: HK\$2,265,000).

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

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, Madam Ngan Po Ling, Pauline, *BBS, JP*, Mr. Cheung Tei Sing, Jamie and Mr. Li Yinquan 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 35 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 2025. 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 transaction as defined in Chapter 14A of the Listing Rules. The Group recognised right-of-use assets and lease liabilities of HK\$561,000 in relation to the leased premises respectively. The carrying amount of the right-of-use assets and lease liabilities as at 31 December 2025 are HK\$420,000 and HK\$428,000 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 transaction 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 2025 are HK\$6,550,000 and HK\$6,759,000 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 2025, affiliated companies of New Era purchased goods totalling HK\$745,115,000 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 2025, the interests of the Directors in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), which had been notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

Long positions in the shares and underlying shares of the Company

	Number of shares			Total	Percentage of interest
	Personal interest	Other direct interest	Underlying shares		
Mr. Ngan Hei Keung	—	232,583,400 <i>(notes 1, 2)</i>	47,040,000 <i>(notes 3, 4)</i>	279,623,400	65.16%
Madam Ngan Po Ling, Pauline, <i>BBS, JP</i>	39,698,400 <i>(note 2)</i>	192,885,000 <i>(note 1)</i>	47,040,000 <i>(notes 3, 4)</i>	279,623,400	65.16%
Mr. James S. Patterson	—	—	1,050,000 <i>(note 5)</i>	1,050,000	0.25%
Mr. Ngan Siu Hon, Alexander	—	—	2,100,000 <i>(note 6)</i>	2,100,000	0.49%
Mr. Lai Man Sing	—	—	1,050,000 <i>(note 7)</i>	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. At 31 December 2025, there were 19,340,500 outstanding Options with 19,340,500 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 2021 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 2026.
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 1 January 2025 and 31 December 2025, 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.

At 1 January 2025 and 31 December 2025, there were 4,291,644 options (with 4,291,644 underlying Shares) available for grant under the service provider sublimit of the Share Option Scheme, which represents 1% of the issued share capital of the Company.

Report of the Directors

At 31 December 2025, 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\$1.27 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 1.1.2025	Lapsed during the year	Outstanding at 31.12.2025	Market value per share at date of grant HK\$
Director	15.07.2015	15.07.2016–14.07.2025	1.066	1,050,000	(1,050,000)	—	1.066
	13.04.2017	13.04.2018–12.04.2027	1.460	8,400,000	—	8,400,000	1.429
				<u>9,450,000</u>	<u>(1,050,000)</u>	<u>8,400,000</u>	
Employees	15.07.2015	15.07.2016–14.07.2025	1.066	7,954,500	(7,954,500)	—	1.066
	13.04.2017	13.04.2018–12.04.2027	1.460	10,940,500	—	10,940,500	1.429
				<u>18,895,000</u>	<u>(7,954,500)</u>	<u>10,940,500</u>	
Total				<u>28,345,000</u>	<u>(9,004,500)</u>	<u>19,340,500</u>	

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

Long positions in the shares and underlying shares:

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

Notes:

- Successful Years International Co., Ltd. is owned by Mr. Ngan Hei Keung and Madam Ngan Po Ling, Pauline, *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.
- 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 <i>(note)</i>	9.74%
NEHK	41,790,000 <i>(note)</i>	9.74%

Note:

Pursuant to the contingent purchase deed renewed on 17 December 2024 between Mr. Ngan, 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 2025, the Company had not been notified by any persons (other than Directors) who had interests in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's bye-laws and there was no 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 2025, the Company has not redeemed any of its shares. Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

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 2026, 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 2026

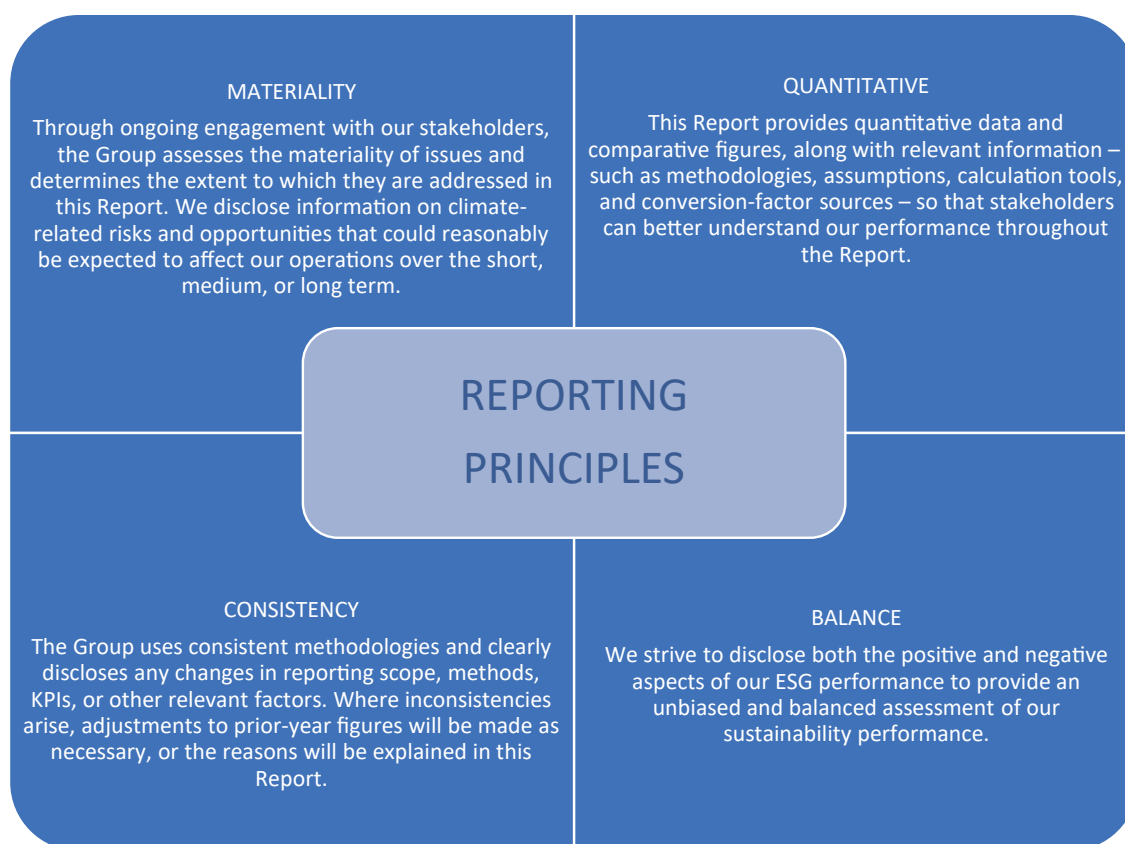
Environmental, Social and Governance Report

REPORTING APPROACH

Reporting Standards and Reporting Principles

We are pleased to present the Environmental, Social and Governance (“ESG”) Report (the “Report”) of Mainland Headwear Holdings Limited (the “Company” together with its subsidiaries as the “Group”) for the year ended 31 December 2025. This Report has been prepared in accordance with the Environmental, Social and Governance Reporting Code (the “Code”) in Appendix C2 of the Main Board Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “HKEX”) (the “Listing Rules”) and has complied with all the mandatory disclosure requirements and “comply or explain” provisions of the Code.

In the preparation of the Report, we consider the following reporting principles as proposed in the Code:



Reporting Scope

This Report provides an annual update on the Group’s sustainability performance for our stakeholders. It highlights our commitments and performance across the environment, climate risk management, our employees, customers, suppliers, and the community, in line with our sustainability strategy.

Environmental, Social and Governance Report

The Group is engaged in the manufacturing of headwear products and accessories, including belts, wallets, and backpacks. As well as trading of a variety of licensed products and other products. This Report covers the reporting year from 1 January 2025 to 31 December 2025 (the “Reporting Year”). During the Reporting Year, the Group’s manufacturing operations were carried out primarily through factories in Cambodia, Bangladesh, Mexico, and the People’s Republic of China (“PRC”), while its trading, product development, and administration operations took place in Hong Kong, PRC, the United States (“US”), the United Kingdom (“UK”), and the Netherlands. This Report covers all these business operations and there has been no significant change in the scope of the Report compared with 2024. The table below summarises in detail the scope of the Groups operations included in this Report:

LOCATION	FACTORIES	WAREHOUSES	OFFICES
Cambodia	✓	✓	✓
Bangladesh	✓	✓	✓
Mexico	✓	✓	✓
China	✓	✓	✓
United States	×	✓	✓
United Kingdom	×	×	✓
Netherlands	×	×	✓

SUSTAINABILITY APPROACH

Sustainability Governance

The Board

The board of directors (“Board”) is the Group’s highest governing body overseeing the group’s corporate governance and risk management framework to support effective business operations. While the Board holds overall responsibility on ESG matters, responsibility for implementing and managing environmental, social, and climate-related issues is delegated to the Sustainability and Risk Management Committees, senior management, and the Sustainability Strategy Working Group. The Board oversees the Group’s sustainability direction and strategy and regularly reviews ESG risks and opportunities, as well as progress and performance, with relevant committees and working groups.



The Board ensures that the Group’s ESG framework is implemented effectively and consistently. The ESG process is continuously reviewed and revisited to ensure alignment with our sustainability objectives and targets. We have established environmental targets in support of our sustainability mission. The Board regularly monitors progress against these targets and updates relevant action plans as necessary to ensure the Group remains on track to achieve its goals.

Environmental, Social and Governance Report

Sustainability and Risk Management Committees

With the support from senior management and the Sustainability Working Group, the Sustainability Committee and Risk Management Committee monitor the risk management system. They assess the significance of the ESG and climate-related risks and provide comments on mitigation measures to address these risks. They also evaluate potential climate-related opportunities for the business. They report to the Board at least twice per year for the Group's ESG risks and opportunities, internal controls, and mitigation measures on relevant risk areas.

Senior Management Responsible for Sustainability

The responsible senior management comprises the Continuous Improvement Director and all Executive Directors. They work in collaboration with the Board, the Sustainability and Risk Management Committees, and the Sustainability Strategy Working Group on all ESG matters and initiatives. They evaluate the significance of ESG and climate-related risks and develop mitigation measures to address such risks. They also identify potential climate-related opportunities for the business.

Sustainability Strategy Working Group

The Sustainability Strategy Working Group comprises of an Executive Director, the Corporate Communication Officer, relevant department heads and ESG working groups within various operating subsidiaries. The works and objectives of the Sustainability Strategy Working Group are as follows:

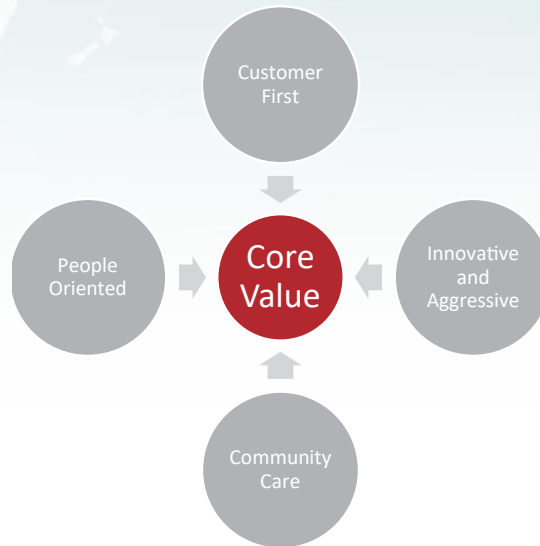
- Follows and reports to the responsible senior management and the Sustainability and Risk Management Committees on the ESG strategies and proposes ESG initiatives to address ESG risks and achieve the sustainability objectives.
- The Head Office ESG Working Group collaborates with ESG working groups in various operating subsidiaries and ensures they follow the ESG strategies and objectives of the Group.
- Engages and communicates with stakeholders to perform materiality assessment and the formulation of ESG strategies and initiatives.
- Coordinates with operational department staff on the implementation of initiatives and practices for delivery of the ESG objectives, as well as on ESG risks and opportunities identified by operational departments.
- Determines the Key Performance Indicators ("KPI") used to measure ESG performance.
- Monitors ESG activities to ensure ongoing development and continuous improvement.
- Prepares the annual ESG report for the Board to approve.

Operational Departments

We rely on our operational department staff to implement ESG initiatives and deliver the targeted outcomes. Under our risk management framework, staff within each operating unit are responsible for identifying risks and opportunities arising from their day-to-day operations, including ESG and climate-related risks. They are also responsible for maintaining an effective internal control system and developing mitigation measures to minimise the impacts of risks within their respective areas. In addition, they are required to report sustainability progress and performance on a regular basis to the Sustainability Strategy Working Group for review and evaluation.

Environmental, Social and Governance Report

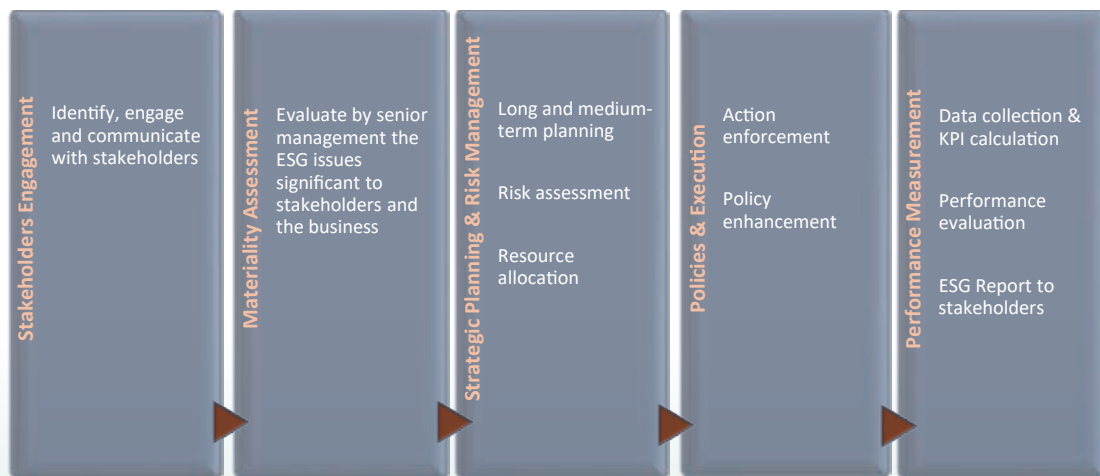
Our Sustainability Value Creation Process



Our ESG framework guides how our objectives are translated into sustainability performance. We proactively engage stakeholders and obtain their views on an ongoing basis. We identify and assess ESG topics by evaluating their significance to both stakeholders and the business. We prioritise material topics and embed them into our medium and long term planning processes. To support delivery of our strategic ESG objectives, we ensure that appropriate manpower and financial resources are allocated. Where existing policies and controls are insufficient to meet our ESG objectives, we review, strengthen, and enhance them to close identified gaps.

The Sustainability Strategy Working Group is responsible for formulating ESG initiatives and driving actions to achieve our ESG objectives. It provides oversight to ensure that initiatives and action plans are properly executed by relevant operational departments. ESG data are collected continuously across the organisation and analysed annually to enable a consistent evaluation of sustainability performance and progress against targets. The Group reports outcomes and insights through a structured feedback mechanism to the Board. Based on these results, the Board revises and updates ESG objectives as necessary to maintain alignment with stakeholder expectations, business needs, and evolving regulatory and market requirements.

As part of continuous improvement, the ESG process is reviewed periodically to reflect lessons learned and to incorporate progress achieved during each cycle. This ensures that our ESG strategy remains current, measurable, and responsive over time, with clear accountability for implementation and sustained focus on material sustainability outcomes.



Environmental, Social and Governance Report








Stakeholder Engagement

Stakeholder engagement is an essential process for identifying material ESG issues in our operations and is critical to the Group's sustainable development and value creation. We engage key stakeholders to understand their concerns regarding our sustainability strategy and progress. This engagement enables us to assess the priority of sustainability matters and to support the effective implementation of ESG initiatives.

We conduct two-way communication with stakeholders through a variety of channels. As a result, we can identify both opportunities and challenges to inform our business strategies, while strengthening our corporate social responsibilities.

Our Stakeholder Groups and Engagement Channels

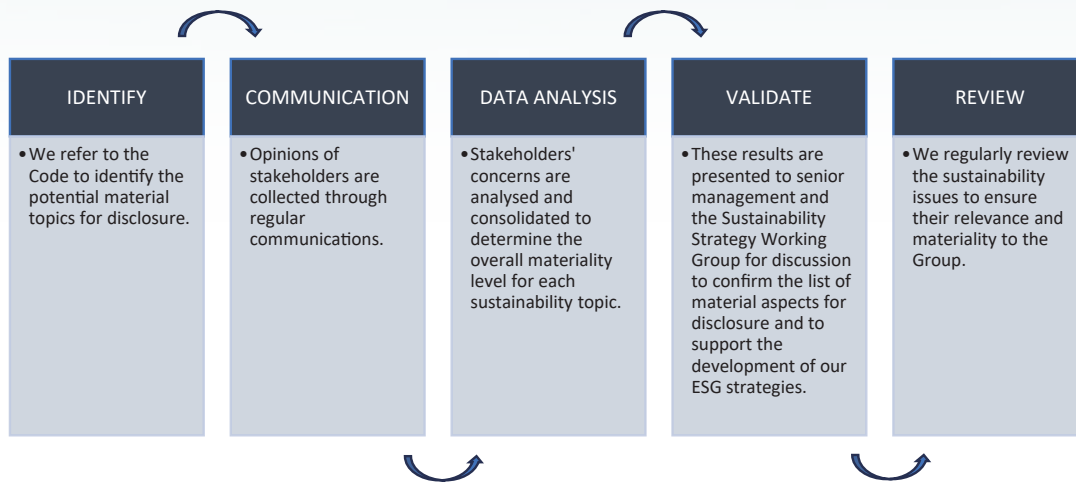
The chart below highlights the various communication channels with our stakeholders and key concerns they show regarding the Group's ESG topics:

STAKEHOLDERS	COMMUNICATION CHANNELS	TOPICS OF CONCERN
Employees 	<ul style="list-style-type: none"> • Staff appraisal meetings • Department meetings • Staff welfare activities • Intranet and email communications • Seminars, workshops, and trainings 	<ul style="list-style-type: none"> • Compensation and benefits • Training and development • Health and safety
Customers 	<ul style="list-style-type: none"> • Customer meeting and site visit • Sales representatives communication • Quality assurance process 	<ul style="list-style-type: none"> • Product quality • Product health and safety • Protection of customer privacy • Environmentally friendly products
Suppliers 	<ul style="list-style-type: none"> • Physical and phone meetings • Site visit • Collaboration between purchase department and suppliers • Qualification verification 	<ul style="list-style-type: none"> • Fair procurement • Sustainable supply chain
Financial Institutions 	<ul style="list-style-type: none"> • Physical meetings and phone enquiries • Bank facilities review • Seminars 	<ul style="list-style-type: none"> • Compliance with laws and regulations • Environmental and climate-related risks and opportunities
Shareholders & Investors 	<ul style="list-style-type: none"> • Shareholders and investors meetings • Company website and company enquiry email, fax, telephone 	<ul style="list-style-type: none"> • Corporate governance • Risk management • Business sustainability • Environmental and climate-related risks and opportunities
Government & Regulators 	<ul style="list-style-type: none"> • Telephone enquiry hotline • Seminars on regulations • Government/regulators' announcements and publications • Government/regulators' surveys 	<ul style="list-style-type: none"> • Compliance with laws and regulations • Anti-corruption • Environmental and climate-related risks and opportunities
Community 	<ul style="list-style-type: none"> • Participation in community activities • Charity events and corporate sponsorship • Community news 	<ul style="list-style-type: none"> • Community engagement • Sustainable business • Fair employment opportunities

Environmental, Social and Governance Report

Materiality Assessment

We conduct a comprehensive materiality assessment annually to identify the relevant and important ESG aspects for developing our ESG strategy and reporting. Through engagement with our stakeholders, we understand their concerns and prioritise reporting those aspects that are important for them. We have adopted a systematic approach to this materiality assessment exercise, as below:



Material Issues and the priorities

Senior management evaluates the importance of each identified ESG issue to the business, together with stakeholders' concerns, to derive our ESG materiality matrix. We have identified the following top 10 material ESG issues for the 2025 Reporting Year.

2025 Top 10 Material ESG Issues	1	Quality Assurance, Product Health and Safety
	2	Occupational Health and Safety
	3	Customer Satisfaction
	4	Employee Development and Training
	5	Energy Consumption
	6	Sustainable Supply Chain
	7	Customer Data Privacy Protection
	8	Employment Practices
	9	Climate-related Management
	10	Anti-corruption

Environmental, Social and Governance Report

ENVIRONMENTAL

Environmental Management

The Group is fully aware of our responsibility for environmental protection. We recognise the impact we have created by our operations on the environment and accept responsibility to reduce our carbon footprint and to promote sustainable practices across the business. We are committed to continual improvement of environmental performance. We conduct our business responsibly, with an emphasis on pollution prevention and minimisation of emissions and waste in daily operations.

To achieve our objectives, we have set environmental protection standards for all production sites. Each factory has developed its own environmental management system to ensure compliance with those standards and to monitor and control emissions, effluents and waste streams. In addition, we have also adopted greenhouse gas (“GHG”) emissions reduction policy designed to lower emissions and reduce energy consumption. Our GHG reduction strategy focuses on increasing energy efficiency, reducing energy consumption, using energy efficient and eco-friendly lighting, and training for employees.

OBJECTIVES	PLANS
Increase energy efficiency	1. Descale boilers regularly to improve heat-transfer efficiency
	2. Maintain correct air-fuel ratio for boilers and generators to minimise unburnt fuel and heat loss
	3. Monitor conversion chamber performance regularly to address deviations promptly
	4. Use fuel-analysis instrumentation to optimise combustion settings and adjust fuel input for maximum efficiency
	5. Maintain generators regularly to ensure efficient combustion
	6. Upgrade to high-efficiency motors
	7. Insulate thermal systems properly to prevent heat loss
	8. Install steam traps on condensate lines to prevent live steam loss during ironing
Reduce energy consumption	1. Reuse condensate from boiler tank to reduce make-up water and reheating energy
	2. Upgrade air-conditioning system to energy-efficient model equipped with HVAC systems to optimise performance
	3. Switch off idle equipment, machines, lighting and computers
	4. Install additional zoned lighting control
	5. Lower lighting fixtures to improve illuminance
	6. Improve production efficiency to optimise process and reduce downtime
Use eco-friendly lighting	1. Retrofit to LED
	2. Deploy solar energy lighting
Raise employee awareness	1. Provide targeted training
	2. Communicate targets and performance
	3. Establish operating procedures and place reminders at prominent places to reinforce good practices

Environmental, Social and Governance Report



In the Reporting Year, we remain committed to improving our ESG performance and building a sustainable future. The Group continues to participate in the ESG Pledge Scheme organised by The Chinese Manufacturers' Association of Hong Kong and implements action plans to strengthen our ESG practices. We further our ESG engagement by becoming the Green Member of ESG One, an ESG platform launched by the Hong Kong Productivity Council, participate in knowledge-sharing seminars business solutions and networking sessions.

Our environmental stewardship and efforts to advance green management and sustainable operations have been recognised by external organisations. In 2025, the Group received Hong Kong Green Awards 2025 – Sustained Performance 10 years+ from the Green Council and was again honoured with the UNSDG Achievement Awards Hong Kong 2025 – Recognised Organisation Award by the Green Council.

As a responsible corporate citizen, the Group is committed to protecting the environment, adhering to the following applicable laws and regulations, including but not limited to:

JURISDICTION	MAJOR LAWS AND REGULATIONS
Bangladesh	Environment Conservation Act 1995 and Environment Conservation Rules 1997 Bangladesh Water Act 2013 The Air Pollution Control Act 2005 Water Pollution Control Regulations Hazardous Waste Management Rules 2020 National Solid Waste Management Rules 2018
Mexico	General Law of Ecological Equilibrium and Environmental Protection General Law for the Prevention and Integral Management of Waste National Water Law National Official Mexican Standards
Cambodia	Law on Environmental Protection and Natural Resource Management Sub-Decrees on Management of Solid Waste, the Water Pollution Control, the Control of Air Pollution and Noise Disturbance
China	Environmental Protection Law of the PRC Law of the PRC on Conserving Energy

During the Reporting Year, we were not aware of any non-compliance with relevant laws and regulations that had a significant impact on the Group relating to air emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.

Environmental, Social and Governance Report

Emissions

Air emissions

The Group's air emissions, notably sulphur oxides ("SOx"), nitrogen oxides ("NOx") and particulate matter ("PM"), primarily originate from on-site combustion sources. The largest contributors are gaseous fuels burnt in boilers and water heaters, together with the diesel consumed by the Group's power generators and light goods vehicles.

To manage and reduce these emissions, we monitor fuel use and combustion efficiency, maintain and upgrade combustion equipment, and pursue cleaner fuel options where feasible. We also implement emission-control technologies and best operating practices across our operations. Regular maintenance, operator training and performance monitoring form part of our approach to ensure compliance with applicable air quality standards and to continuously lower our environmental impact.

Air Emissions*			
	2025	2024	Change
	(g)	(g)	(%)
Nitrogen oxides (NOx)	66,428.78	38,444.05	+72.8%
Sulphur oxides (SOx)	1,634.87	192.21	+750.6%
Particulate matter (PM)	2,724.23	37.50	+7,164.6%

* The emissions factors for calculation of air emissions are derived from HKEX Reporting Guidance on Environmental KPIs.

Waste Management

Waste generated by the Group mainly comes from our production facilities. Factory waste is classified into hazardous and non-hazardous waste. Hazardous waste arises from production activities typically includes solvent residues, used oils and empty chemical containers. Non-hazardous waste comprises of general industrial waste, and household waste from domestic facilities and garden debris. In our factories, all wastes are collected, transported and disposed by licensed contractors authorised by relevant local authorities. Non-hazardous waste generated by offices is collected and handled by building management company or local waste management companies.

Minimising waste generation is integral to the Group's commitment to environmental responsibility. As Bangladesh serves as the Group's largest production base, we place particular emphasis on waste reduction measures at this location:

- * Prevention measures in production process:
- Use auto cutting machine to reduce errors.
 - Use computer software to maximise fabric utilisation and minimise offcuts.
 - Strengthen inspection control in production lines to detect defects at earlier stage and reduce rework.
 - Reduce replenishment fabrics to lower the risk of material deterioration and obsolescence.

Environmental, Social and Governance Report

- * Recycle and reuse:
 - Refurbish and repurpose equipment and components to extend the life of mechanical and electronic components through servicing and repair.
 - Recover and recycle metal and other recyclable materials generated on site.
- * Employee engagement and awareness:
 - Provide regular training and communication to all employees on waste reduction practices.

Wastewater from our production primarily originates from fabric washing and finishing work, that contains suspended solids, dyes and chemicals residues. Domestic wastewater from employee facilities is the secondary source of wastewater generation. All industrial and domestic wastewater is managed in accordance with applicable environmental laws and local regulations. The wastewater is either treated onsite in factory sewage treatment plant or discharged to municipal sewage treatment systems with required approvals.

To reduce generation of wastewater, our Shenzhen factory operates specialised sewage treatment plant to handle industrial wastewater and residential wastewater. Treated effluent is quality-tested to determine whether to discharge or reuse.

Waste				
		2025	2024	Change
				(%)
Non-hazardous waste	(tonnes)	619.01	386.51	+60.2%
Non-hazardous waste intensity*	(kg/employee)	71.85	47.14	+52.4%
Hazardous waste	(tonnes)	3.98	21.9	-81.8%
Hazardous waste intensity*	(kg/employee)	0.46	2.67	-82.8%
Non-hazardous wastewater	(m ³)	150,910	132,333	+14.0%
Non-hazardous wastewater intensity*	(m ³ /employee)	17.52	16.14	+8.6%

* In terms of number of employees at the year end date

Use of Resources

Energy Consumption

The Group is committed to maximising resource efficiency and minimising environmental impacts across our operations. We actively monitor energy consumption across our operations, recognising energy management as a core element of our sustainability strategy.

Purchased electricity is the Group's principal source of energy for production facilities and offices. In 2025, electricity usage accounted for approximately 80% of the Group's total energy consumption. The remaining 20% comprised gaseous fuels and fuel oil used in boilers, generators and vehicles.

Environmental, Social and Governance Report

To enhance energy performance, we track electricity consumption and monitor usage intensity per unit of production, and report trends against internal targets. This enables us to prioritise investment in projects (such as high-efficiency motors, LED lighting retrofits, HVAC upgrades and process optimisations) that deliver measurable reduction in energy consumption and operating costs. We also pursue fuel-efficiency measures for non-electrical energy uses to enhance energy efficiency and minimise use of resources, including boiler descaling, condensate recovery, generator maintenance, and combustion optimisation.

Energy Consumption			
	2025	2024	Change
	(kWh)	(kWh)	(%)
Electricity	14,378,186	13,166,898	+9.2%
Fuel*	3,543,719	4,592,495	-22.8%
Total energy consumption	17,921,905	17,759,393	+0.9%
Energy consumption intensity (kWh/product)	0.32	0.36	-11.1%

* Data collected in other units is converted to kWh. Conversion factors are sourced from the Energy Statistics Manual issued by the International Energy Agency.

Water Management

The Group recognises water as an important resource in our production and is committed to managing it responsibly to minimise our water footprint and support operational resilience. Water is primarily used for fabric shrinkage, finishing processes and general facility cleaning, as well as for supplying domestic needs for employees in our factories. To ensure sustainability, we have implemented water management practices that aim at reduction and reuse.

To promote responsible water management, the following measures are implemented:

- Review and refine production processes to eliminate unnecessary rinses and to increase water efficiency.
- Use water-efficient fixtures and equipment, such as trigger-nozzle hoses, low-flow taps and water-saving valves.
- Conduct routine inspections to detect leaks and ensure prompt repair.
- Monitor water consumption at each site, maintain regular usage records, and track trends against internal reduction targets.
- Recycle wastewater through the sewage treatment plant in Shenzhen factory.
- Provide ongoing trainings to employees on water conservation practices.

Water for our production is primarily sourced from groundwater and local municipal water supply. The Group does not experience any issues in sourcing water that is fit for purpose.

Water Consumption			
	2025	2024	Change
	(m ³)	(m ³)	(%)
Water consumption	176,122	168,178	+4.7%
Water consumption intensity (m ³ /product)	0.0032	0.0035	-8.6%

Environmental, Social and Governance Report

Packaging Materials

We use a range of packaging materials to protect finished products during storage and transport, including corrugated carton boxes, plastic bags, cardboard inserts, packaging paper. We are committed to reducing the environmental impact of our packaging. To minimise waste and resources use, we prioritise recyclable, biodegradable and compostable packaging materials, and continuously refine our packaging design toward minimalist solutions that meet protection requirements while reducing material use.

Packaging Materials Used			
	2025 (tonnes)	2024 (tonnes)	Change (%)
Packaging materials used	2,108	2,005	+5.1%
	(g)	(g)	
Packaging materials used per unit product (g/product)	38.14	41.74	-8.6%

The Environment and Natural Resources

The Group is committed to preventing adverse environmental impact and conserving natural resources by integrating green concept in our daily operations. We promote efficient and responsible use of materials, energy, and water across our operations, ensuring that environmental stewardship is aligned with operational resilience and cost efficiency.

We reduce our environmental footprint through reducing consumption, recovering and reusing materials and switching to environmentally friendly materials. Energy and water use are lowered by process optimisation, equipment upgrades and operational best practices. Consumption is continuously monitored to verify the effectiveness of these measures. Where feasible, we maximise on-site material recovery and internal reuse, and we prioritise the use of environmentally friendly packaging materials to further lower our impact on the environment.

By integrating these initiatives into our day-to-day operations, the Group aims to protect the environment, conserve natural resources and enhance long-term competitiveness.

SOCIAL SUSTAINABILITY

Employment

The Group recognises that our people are our greatest asset. We are committed to creating a safe, healthy and inclusive workplace that supports employee wellbeing, professional development and fair treatment across all levels of operations.

Equal opportunity and labour standards

We are an equal opportunity employer and maintain policies, employee handbooks and procedures that prohibit discrimination based on gender, race, religion, age, disability, sexual orientation, nationality, political belief, social background or ethnicity. Operating across multiple regions, the Group adheres to the Fair Labour Association Workplace Code of Conduct to ensure our business practices align with international labour standards and uphold employees' rights to freedom of association and collective bargaining. We are committed to fair labour practices and humane working conditions throughout our operations.

Environmental, Social and Governance Report

Prohibition of child and forced labour

The Group upholds corporate values that protect human rights and have a zero-tolerance stance on child and forced labour. We hire only individuals of legal working age who choose to work voluntarily. Human resources system, procedures and standards are developed and implemented to prevent incidents of child and forced labour. We raise awareness across the organisation, promote human rights in our operations, and provide targeted training for HR personnel.

Our HR personnel conduct required background and age-verification checks during recruitment process. All applicants are informed of the minimum legal working age and must provide valid identification for verification. Should child labour be identified, the employee is immediately removed from work, assisted in returning to their hometown or place of residence, and relevant documents are submitted to local authorities. We also consult with the child's guardian to support the child's return to education.

All recruitment is conducted on a voluntary basis and without the use of deceptive recruitment practices, threats, withholding of identity documents or any other measures that could restrict a person's freedom of movement or choice. Employment contracts are provided in a language understood by new hirers. All overtime work must be voluntary and overtime work is compensated in strict compliance with applicable local laws and regulations. Records of normal working and overtime hours, and overtime related payments are maintained and reviewed to avoid violation of the laws and regulations.

During the Reporting Year, we were not aware of any non-compliance with relevant laws and regulations that had a significant impact on the Group relating to preventing child and forced labour.

Grievance channels

To foster a constructive and harmonious employer-employee relationship, the Group has established multiple channels, including a "Company Mailbox", a "Trade Union Mailbox", and a "Compliance Hotline" to gather employee feedback and understand their concerns or improvement suggestions. In line with our "Working Principle", employees may also submit suggestions and complaints through their direct supervisor, the human resources department and the complaint mailbox.

Compensation and benefits

We offer competitive package of benefits designed to attract and retain best people. Our benefits include medical insurance, meal and accommodation allowances, birthday and festival gifts, paid bereavement leave, flexible financial assistance, supplemental retirement contributions and a performance-based bonus scheme. Performance-based bonus system is set to reward employees at various management levels, thereby to retain high-calibre management team. Promotions and rewards are determined by individual work performance and capabilities.

Learning and development

The Group provides diverse training and development opportunities to support career progression and build capability across the business. Development plans and training are aligned with role requirements and career aspirations to foster a high-calibre management team and skilled workforce.

Environmental, Social and Governance Report

Employee engagement and activities

We encourage a cohesive culture through regular engagement activities and events that promote wellbeing and team spirit. In 2025, we organise a wide range of activities and social events for our employees to strengthen team cohesion and to recognise their contributions, including major seasonal gatherings, national celebrations, an annual dinner, a company trip to Vietnam and team outing. We also held health-focused events, such as an International Breast Cancer Day campaign, to raise employees' health awareness and encourage preventive care.



Recognitions

We participate in external benchmarking and awards programs to validate our people practices. Recent recognitions include:

- Happy Company 5 Years+ from Promoting Happiness Index Foundation and The Chinese Manufacturers' Association of Hong Kong
- Partner Employer Award 10 Years+ from Hong Kong General Chamber of Small and Medium Business
- Good MPF Employer Award from Mandatory Provident Fund Schemes Authority
- Good Employer Charter from the Labour Department of the HKSAR
- Accreditation of Social Compliance Program by the Fair Labor Association

Environmental, Social and Governance Report

The Group places a high priority on compliance with local labour laws and regulations where we operate. We strictly comply with applicable laws and regulations related to employment and labour standards in our operating regions, including but not limited to the following:

JURISDICTION	MAJOR LAWS AND REGULATIONS
Bangladesh	Bangladesh Labour Act (2006) Prevention and Suppression of Human Trafficking Act, 2012 Bangladesh Labour Rules, 2015 List of Hazardous Work for Children (Ministry of Labour & Employment)
Mexico	Federal Labour Law General Law to Prevent, Punish and Eradicate Crimes Related to Human Trafficking
Cambodia	Labour Law of 1997 Labour Law of 1997
China	Labour Law of the People's Republic of China Labour Contract Law of the People's Republic of China Provisions on Prohibition of Using Child Labour of the People's Republic of China Law of the People's Republic of China on the Protection of Minors Regulation on Special Protection for Underage Workers of the People's Republic of China
Hong Kong	Employment Ordinance (Cap. 57) Employees' Compensation Ordinance (Cap. 282) Minimum Wage Ordinance (Cap. 608) Mandatory Provident Fund Schemes Ordinance (Cap. 485)
US	Fair Labor Standards Act Trafficking Victims Protection Act
UK	Employment Rights Act 1996 Modern Slavery Act 2015 Children and Young Persons Act 1933/1963
The Netherlands	Dutch Civil Code Work and Security Act Working Hours Act Minimum Wage and Minimum Holiday Allowance Act Child Labour Due Diligence Act

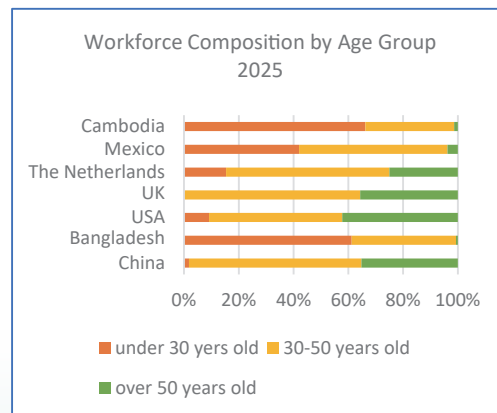
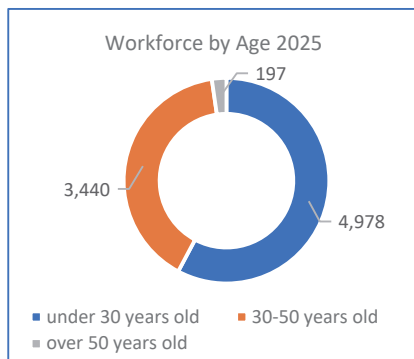
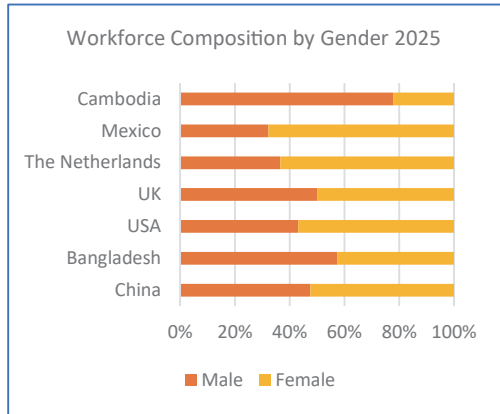
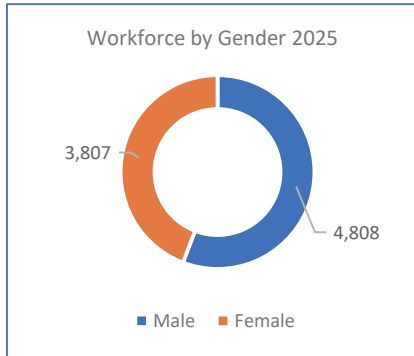
Overall, the Group remains dedicated to investing in our workforce, maintaining high labour and safety standards, and fostering an environment in which employees can thrive and contribute to long-term success.

During the Reporting Year, we were not aware of any non-compliance with relevant laws and regulations that had a significant impact on the Group relating to compensation and dismissals, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare, preventing child and forced labour.

Environmental, Social and Governance Report

As of 31 December 2025, we employed 8,615 employees (2024: 8,200 employees).

		Breakdown of Workforce	
		No. of employees	
Category		2025	2024
Gender	Male	4,808	4,330
	Female	3,807	3,870
Age Group	Under 30 years old	4,978	4,943
	30 – 50 years old	3,440	3,080
	Over 50 years old	197	177
Geographical Region	China	162	162
	Bangladesh	7,326	7,417
	US	109	131
	UK	14	12
	The Netherlands	52	51
	Mexico	650	427
	Cambodia	302	—
	Employment Type	Full time	8,596
	Part time	19	21



Environmental, Social and Governance Report

Turnover Rate of Workforce ¹		
Category	Employee turnover rate	
	2025	2024 ²
Total	2.72%	3.76%
Gender		
Male	2.84%	3.53%
Female	2.83%	4.03%
Age Group		
Under 30 years old	3.19%	4.23%
30 – 50 years old	2.39%	2.98%
Over 50 years old	1.53%	5.10%
Geographical Region		
China	1.23%	6.67%
Bangladesh	2.47%	3.39%
US	2.50%	2.96%
UK	0%	0%
The Netherlands	1.94%	1.50%
Mexico	7.43%	12.84%
Cambodia	1.32%	—

1 The employee turnover rate is calculated by dividing the number of employees in the specified category who left during the year by the average total number of employees in the specified category.

2 The comparative figures are restated to align with current year's presentation.

Employee Training and Development

We recognised that consistent production of high-quality products is essential to the Group's long-term competitiveness and reputation. To that end, we are committed to a strategic, ongoing investment in our people: developing production-line competencies, enhancing operational performance, and building a multi-skilled workforce that supports continuous improvement across all stages of the manufacturing process.

Our training and development program combines structured internal with targeted external courses to ensure employees at every level have the knowledge and skills required to deliver safe, efficient, and defect-free production. Training is designed to be practical, measurable, and aligned with business priorities – from induction for new joiners through to supervisory and technical upskilling for experienced employee. Key elements of our program included:

- **Onboarding and corporate governance**

- o Comprehensive induction for all new hires that introduces the Group's history, values, organisational structure, employee handbook and core policies.
- o Regular refresher training on corporate governance and compliance topics, such as anti-corruption, prohibition of forced labour and child labour, non-discrimination and anti-harassment, the Group's code of conduct and related supplier expectations.
- o Role-specific briefings to ensure employees understand their responsibilities under internal policies and applicable laws.

Environmental, Social and Governance Report

- **Work skills and workplace safety**
 - Practical skills training in production-relevant areas including total quality management, standard operating procedures, process controls and product safety requirements that directly reduce defects and waste.
 - Machine-operation training to ensure the safe, efficient use and basic maintenance of sewing, cutting, finishing and other production equipment.
 - Specialist safety modules covering confined spaces and working at height, electrical safety, welding and cutting safety where applicable, and awareness of static electricity and noise risks.
 - Ergonomics and safe manual-handling training to reduce musculoskeletal injuries and improve productivity.
 - Safe handling, storage and control of hazardous chemical substances, including instruction on safety data sheets (SDS), correct labelling and spill response.
- **Product logistics**
 - Training in supply chain security standards such as the Customs Trade Partnership Against Terrorism (CTPAT) to protect goods in transit and meet international customer requirements.
 - Cybersecurity awareness training for employees with access to digital systems, focused on safe information handling, password hygiene and recognising cyber threats relevant to logistics and operations.
- **Employee wellbeing and Emergency preparedness**
 - First aid and CPR training, and the establishment of first aid brigades, to improve on site medical responsiveness.
 - Fire safety and firefighting drills, training for search and rescue teams and regular evacuation exercises to strengthen emergency readiness.
 - Programs to raise awareness of occupational hazards such as excessive noise exposure and measures to mitigate these risks.
 - Initiatives that promote employee health and welfare, including access to occupational health checks and targeted psychosocial support where required.
- **Employee development**
 - Personal development and career pathing workshops designed to broaden skills, increase job satisfaction, and support internal mobility.
 - Communication, problem solving and decision-making training to improve teamwork and frontline management effectiveness.
 - Supervisory and management development programmes that emphasise people management, performance coaching, compliance oversight and continuous improvement techniques.

Environmental, Social and Governance Report

By embedding skills development and learning into our operational culture, the Group aims to safeguard product quality, improve workplace safety, increase employee engagement and build the talent pipeline needed to support future growth. We will continue to expand and adapt our training offerings to meet evolving manufacturing technologies, customer expectations and regulatory requirements.

Overall, we have delivered a total of 184,256 training hours in 2025 (2024: 72,446 hours).

Percentage of Employees Trained and Average Training hours Completed per Employee						
Category		% of employees took part in training		Average training hours completed per employee (hours/employee)		
		2025	2024	2025	2024	
Gender	Male	43.1%	100%	42.7%	11	19
	Female	56.9%		57.3%	34	18
Employment category	Senior Management	0.9%	100%	0.9%	2	6
	Middle Management	13.7%		10.0%	3	17
	General Employee	85.4%		89.1%	24	31

Health and Safety

The Group is firmly committed to protecting the health, safety, and well-being of all employees across our operations. We maintain rigorous occupational health and safety standards to prevent workplace injuries and illnesses, minimise hazards and ensure a productive, high-quality working environment. At our factories, we have implemented comprehensive labour protection measures that align with international best practices and relevant local laws and regulations. These measures cover hazard identification and mitigation, incident reporting and investigation, routine maintenance of equipment of facilities to reduce the likelihood of work-related accidents.

Our approach focuses on three areas: prevention, protection, and wellbeing.

Prevention

It includes systematic risk assessment, safe work procedures, ongoing safety training tailored to factory operations, such as cutting, sewing, and finishing, including safe operation of machinery and equipment. We also maintain policies and training for handling and control of hazardous chemical substances to prevent contamination of the workplace.

Protection

It encompasses the provision and enforcement of appropriate protective equipment, emergency response plans, and fire safety systems. To ensure preparedness, we conduct regular fire drills and evacuation exercises, maintain trained evacuation brigades, and provide first-aid, emergency response, and CPR training to relevant employees.

Wellbeing

It covers programs that support physical and mental health, including ergonomic interventions, routine pest control and facility housekeeping, and annual occupation health checks. To further protect mental wellbeing, we have adopted a Psychosocial Risk Prevention Policy that identifies, mitigates, and monitors workplace stressors.

Environmental, Social and Governance Report

Training and communication are integral to our approach. All new hires receive induction and role-specific training to familiarise them with company policy, safety procedures, and job requirement. All employees attend periodic refresher courses and are provided with clear instructions on emergency procedures. Supervisors are held accountable for enforcing safe behaviours on the production floor and for mentoring employees in safe operational practices.

By embedding health and safety into our operational culture and governance, the Group seeks to protect our workforce, maintain production continuity, and uphold our responsibilities to employees, customers, and communities. We will continue to invest in systems, training, and infrastructure that reduce occupational risks and promote a safe, healthy workplace for all.

Health and Safety			2025	2024	2023
Lost days due to work injury	(days)		80	75	77
Number of work-related fatalities occurred	(no. of people)		—	—	—

The Group adheres to relevant occupational health and safety laws and regulations where we operate.

JURISDICTION	MAJOR LAWS AND REGULATIONS
Bangladesh	Bangladesh Labour Act (2006) Bangladesh Labour Rules (2015)
Mexico	Federal Labour Law Official Mexican Standards – STPS
Cambodia	Labour Law (1997)
China	Prevention and Control of Occupational Diseases Law of the People's Republic of China Work Safety Law of the People's Republic of China
Hong Kong	Occupational Safety and Health Ordinance (Chapter 509)
US	Occupational Safety and Health Act
UK	Health and Safety at Work etc Act 1974
The Netherlands	Working Conditions Act

During the Reporting Year, we were not aware of any non-compliance with relevant laws and regulations that had a significant impact on the Group relating to providing safe working environment and protecting employees from occupational hazards.

Community Care

We are committed to actively supporting and participating in community and charitable activities. We believe that fostering a harmonious and sustainable relationship between the Group and the communities is essential for long-term growth and success.

We have been supporting and engaging in community where we operate, dedicating our time, energy, and resources to make positive and sustainable impact to the communities. By collaborating with local authorities, NGO, and charity organisations, we seek to understand the needs of the communities and address them effectively. We leverage our resources through various programs that aim to help the children and underprivileged.

Furthermore, we also encourage our employees to participate in volunteer activities, fostering a culture of giving back across the organisation. By investing in our communities, we enhance the lives of those in need while strengthening our business relationships and corporate reputation. Together, we strive to build a more equitable society where everyone has the opportunity to thrive.

Environmental, Social and Governance Report

Care for Children and The Underprivileged

Donations to orphanage in Bangladesh

We have been providing financial support to an orphanage in Bangladesh through the Mainland Orphanage Fund. This orphanage not only meets the basic needs of the children, such as education and healthcare, but also focuses on skill development and their mental well-being. Our contributions help raise the awareness of orphans in the local community and promote a greater social understanding of orphan issues.

Donations to DIF events in Mexico

During this Reporting Year, employees of our Mexico factory participated in community service activities, including the Children Day and Christmas events organised by Desarrollo Integral de la Familia (“DIF”). DIF is the primary government agency dedicated to addressing the needs of low-resource communities. Our contributions included sponsoring caps and donating toys for children’s Day, as well as providing blankets during Christmas to help underprivileged families through the winter.

Sponsoring our employee for charitable fundraising activities

The Light Fund is a registered charity dedicated to raising money for worthwhile causes on behalf of the licensing Industry, Difuzed BV, a subsidiary of the Group in the Netherlands, actively support the charity activities organised by the Light Fund. In 2025, Difuzed BV was one of the sponsors supporting the 5-Peaks Light Fund Charity event. We sponsored our employees to participate in the 5-3-1 Peaks Challenge, where they dedicated their valued time and effort to take part in the challenge of climbing 5 peaks.

Care for the Community

Donations to Wang Fuk Court fire victims

The devastating fire at Wang Fuk Court in Hong Kong Tai Po in November 2025 had led to tragic loss of lives and fire victims were facing significant challenges, causing immense grief to the city. Deputy Chairman of the Group, Madam Ngan Po Ling, Pauline personally donated HK\$2.7 million to provide relief to the affected families and to support firefighters.

Care for our employees

Donation and aid to employees

During the reporting period, the Group mourned the loss of a colleague who passed away following an illness. To honour her memory and support her loved ones, the Group provided a compassionate donation to her family. Additionally, we extended financial assistance to an employee in Mexico to aid in the reconstruction of her home after it was tragically destroyed by a fire.

RESPONSIBLE GOVERNANCE

Supply Chain Management

The Group recognises that strong relationships are critical to our success, particularly as we expand geographically, and our supplier network grows. Accordingly, we prioritise transparent, fair, and sustainable supplier management to uphold product quality, operational resilience, and compliance with ethical standards.

Our procurement processes are governed by clear tendering procedures. All tenderers must disclose potential conflicts of interest and comply with strict anti-fraud and ethical conduct requirements. Any supplier found to be in violation may have their engagement suspended or terminated.

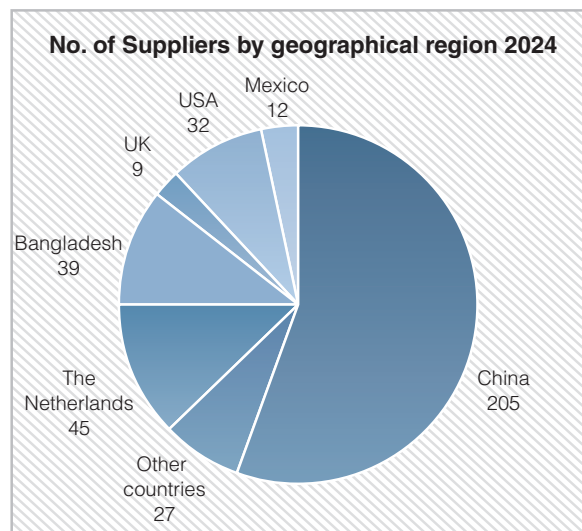
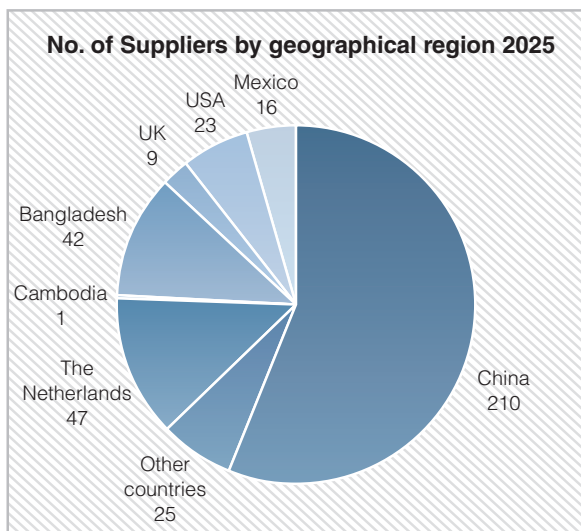
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We maintain a rigorous supplier screening process to ensure suppliers meet our quality, safety, and operational requirements. On engaging a new supplier, we conduct on-site evaluation of the supplier’s facilities, production process and working conditions by our staff and our purchase team performs assessment on the supplier’s capabilities. Final acceptance decision of supplier will be voted by the committee. The screening process ensure that shortlisted suppliers meet the Group’s performance standards and supports the development of long-term strategic partnerships.

Sustainability is also embedded in our supply chain management. All suppliers are also required to comply with applicable laws, regulations and standards on labour safety and health, human rights, and environmental protection. We have also published a Supplier Code of Conduct that sets out the principles that suppliers are expected to follow to ensure working conditions meets international standards. Where feasible, we prefer suppliers with recognised green certifications (such as RCS, GRS and FSC) and give preference to environmentally responsible business partners.

Supplier performance is monitored regularly through a structured appraisal system, including quarterly reviews. Evaluations take into account product quality, pricing, delivery reliability, service, and environmental compliance. The results guide ongoing supplier development, retention, and corrective actions where necessary.

In 2025, the Group engaged 373 suppliers (2024: 369), reflecting our ongoing efforts to optimise and rationalise the supply base while maintaining high standards of quality, sustainability, and operational reliability. The following charts shows the supplier distribution by geographical region.



Product Responsibility

The Group aspires to be the global leader and premier manufacturer in the headwear and accessories industry by consistently delivering high quality products and premium services to customers. To consistently meet and exceed customer expectations, the safety and quality of our products are strictly regulated. We establish Product Safety Policy that guides the design and manufacturing of our products to safety and quality standard and helps our factories and suppliers to identify and mitigate critical safety hazards. We further perform thorough risk assessments to identify potential hazards and implement appropriate preventive measures.

To ensure that our headwear products meet customer specifications, safety and regulatory requirements, and internal quality standards, we have established a dedicated quality assurance (“QA”) team for overseeing the total quality management system. The QA team implements and monitors quality controls across procurement, production, finishing and shipment, following standard operating procedures to deliver consistent quality products.

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All incoming materials, including fabrics, accessories and labels, must be inspected to ensure that they meet customer requirements and comply with the laws and regulations of exporting markets. Materials must pass strict physical and chemical testing standards and will go through sampling procedures before being accepted into inventory. We carry out stringent quality inspections across the production processes, with inline inspections at critical process points such as cutting, sewing and finishing. Before shipment, final products undergo random sampling inspections to verify appearance, measurements, proper labelling, functionality, safety and packaging. In addition, we arrange regular training for the QA team to ensure that they possess the knowledge and skills necessary to uphold our quality standards.

The Group is committed to responsible production practices that uphold social standards, minimise environmental impact and ensure product integrity. Our Bangladesh facilities have attained several internationally recognised certifications, including Forest Stewardship Council (FSC) Chain-of-Custody Certificate, Global Recycled Standard (GRS) Scope Certificate, and the Worldwide Responsible Accredited Production (WRAP) Certificate of Compliance. These credentials reflect our strategic preference for certified, lower-impact materials and our adherence to lawful, humane and ethical manufacturing practices. In addition, in December 2024, our Bangladesh factory achieved ISO 9001:2015 certification for its Quality Management System (“QMS”), affirming the quality and effectiveness of our manufacturing operations.

Customer satisfaction is our top priority, the Group has been recognised as a Consumer Caring Company by GS1 Hong Kong for five consecutive years, underscoring our sustained commitment to customer care and product responsibility. We place great value on customer feedback. All complaints are recorded by the QMS auditor, who promptly notifies to the Head of QA team and senior management. We conduct prompt investigations to identify root causes and implement corrective action plans, which are then communicated to the affected customers. Follow-up audits are carried out to verify the effectiveness of remedial measures. Complaint trends are reviewed regularly and reported to senior management to enable continuous improvement in production quality and customer service.



During the Reporting Year, the Group recorded no sold or shipped product that was subject to recalls for safety and health reasons and did not receive complaints for non-conformities due to significant quality failure. Approximately 20 complaints relating to minor manufacturing defects were received; all were logged, investigated, and addressed through corrective actions and verification audits.

We are committed to adhering to consumer protection laws and regulations to ensure accuracy and transparency in our marketing, advertising, and labelling practices. We strictly comply with all applicable laws and regulations relating to product safety and product labelling, including but not limited to:

JURISDICTION	MAJOR LAWS AND REGULATIONS
US	Consumer Product Safety Act Children’s Product Safety Improvement Act Federal Trade Commission Regulations
Europe	EU Textile Regulation General Product Safety Directive
China	Product of Quality Law Consumer Rights Protection Law
Hong Kong	Consumer Goods Safety Ordinance

During the Reporting Year, we were not aware of any non-compliance with relevant laws and regulations that had a significant impact on the Group relating to health and safety, advertising, labelling and privacy matters.

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Intellectual Property Rights

We respect and actively protect intellectual property (“IP”) rights in all aspects of our headwear business. We obtain written licenses from IP owners before manufacturing any products bearing their designs, logos or trademarks. All production for brand customers is carried out under valid contractual authorisation with strict controls to ensure licensed materials, artworks, branding, and specifications are used exactly as approved.

We have implemented systematic controls and handling procedures across our operations to safeguard licensed materials, such as secure storage and strict accountability for all issued materials at each production. To prevent unauthorised use of IP, the artwork files are handled securely, and license terms are verified before production. In 2025, there were no incidents of non-compliance concerning intellectual property rights regarding our products.

Data privacy

We are committed to safeguarding all information provided by consumers, customers, and business partners and we handle their information lawfully and securely. The Group collects and retains personal data only when necessary for legitimate business purposes. We strive to prevent unfair competition by safeguarding the leakage of confidential business information. Robust security measures are implemented to protect confidential data from unauthorised access, loss, alteration or disclosure. Our policies and practices for collecting, using, retaining, transferring, and granting access to person data comply with the following relevant laws and regulations:

JURISDICTION	MAJOR LAWS AND REGULATIONS
Bangladesh	Cyber Security Act 2023
Mexico	Federal Law on the Protection of Personal Data Held by Private Parties
Cambodia	Law on E-Commerce
China	Personal Information Protection Law
Hong Kong	Personal Data (Privacy) Ordinance
US	The California Consumer Privacy Act Data Breach Notification Law
UK	UK General Data Protection Regulation Data Protection Act 2018
The Netherlands	EU General Data Protection Regulation Dutch General Data Protection Regulation Execution Act

Anti-Corruption

The Group adopts a zero-tolerance approach to all forms of corruption and bribery in its business dealings. We are committed to conducting business with integrity and to strict compliance with all applicable laws and regulations for the prevention of corruption and bribery in the jurisdictions where we operate.

JURISDICTION	MAJOR LAWS AND REGULATIONS
Bangladesh	Anti-Corruption Commission Act 2004 Whistleblower Protection Act 2011
Mexico	General Law of Administrative Responsibilities
Cambodia	Anti-Corruption Law of 2010
China	Criminal Law of the People’s Republic of China Anti-Unfair Competition Law of the People’s Republic of China
Hong Kong	Prevention of Bribery Ordinance (Cap. 201)
US	Foreign Corrupt Practices Act Foreign Extortion Prevention Act
UK	Bribery Act 2010
The Netherlands	Dutch Criminal Code

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To define and enforce the Group's ethical and behaviour standards, we have established an anti-corruption policy, that is strictly enforced across all business operations. All directors and employees of the Group are required to comply with the policy and relevant code of conduct. They are prohibited, whether directly or indirectly, from offering, promising to offer, requesting, or receiving improper benefits of any kind in the course of dealing with counterparties. All personnel must act with integrity, in an ethical and proper manner, and adhere to applicable anti-corruption laws and regulations.



Since 2024, the Group has participated in the Business Sector Integrity Charter jointly organised by the Independent Commission Against Corruption (“ICAC”) and The Chinese General Chamber of Commerce, Hong Kong, to demonstrate our commitment to the highest standards of integrity. We have implemented an Integrity Management System to uphold and enhance the Group's professionalism and integrity in the industry, and we have appointed a senior management staff as “integrity officer” to assist in implementing and monitoring our integrity policies, as well as promoting a culture of integrity.

The Group has also implemented a whistleblowing policy to uphold openness, integrity and accountability. We encourage employees and other relevant third parties (e.g. customers, suppliers, etc.) to report in good faith any actual or suspected misconduct, malpractice or irregularities concerning the Group via confidential reporting channels. The Group takes all reports seriously and conduct independent investigations. Appropriate corrective actions will be taken for confirmed breaches. The Group is committed to protecting whistleblowers from retaliation and to maintaining confidentiality to the extent reasonable practicable.

As a long-standing practice, the Group regularly provides training sessions to enhance employees' awareness and knowledge of anti-corruption laws and regulations and the understanding of the Group's anti-corruption policy. In the Reporting Year, we have delivered the following training sessions to our employees:

- Bangladesh factory: Over 80 hours of anti-corruption training were provided to approximately 5,600 employees, including the management and general employees. The training sessions introduced the Group's anti-corruption policy to new hires and reinforced compliance awareness among existing employees.
- Shenzhen factory: Approximately 240 employees attended internal training on the Group's anti-corruption policy.
- Hong Kong office: A training session presented by ICAC for Hong Kong employees covering anti-corruption laws, conflict of interests handling and good corporate governance.

During 2025, there was no reported or concluded legal case regarding corrupt practices brought against the Group or our employees. We were not aware of non-compliance with relevant laws and regulations that had a significant impact on the Group relating to bribery, extortion, fraud and money laundering.

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CLIMATE-RELATED MANAGEMENT

Objectives and Pillars

Extreme weather events, rising sea levels, and shifts in climate patterns pose significant risks and uncertainties to the economic and business environment. These factors may disrupt business continuity, affect the reliability of our operations, and increase both our financial and operational exposure. By thoroughly understanding and addressing the challenges and opportunities arising from climate change, we aim to identify and implement strategies that not only mitigate risks, but also enhance our long-term resilience and enable sustainable growth.

To this end, we have intensified our efforts to integrate climate considerations into our governance, strategy, and risk management frameworks. In response to evolving global reporting expectations, we have made our first climate-related disclosures by reference to Part D of the Code. This approach aligns our disclosures with the ISSB IFRS S2 requirements. Our reporting framework has been structured around four pillars – governance, strategy, risk management, and metrics and targets – to provide a comprehensive and consistent account of how climate-related matters are identified, assessed, managed, and monitored across the Group.

Governance	Strategy	Risk Management	Metrics and Targets
The Group has established a governance framework to oversee the identification, assessment, and management of climate-related risks and opportunities. This framework defines roles, responsibilities, and oversight mechanisms to ensure climate considerations are integrated into decision-making at the appropriate levels.	The Group discloses information on the short-, medium-, and long-term impacts of climate-related risks and opportunities on its operations, strategy, and financial planning, enabling stakeholders to understand how climate factors may evolve and affect the business over time.	The Group describes and discloses how it identifies, assesses, mitigates, monitors, and manages climate-related risks. This includes the processes used to evaluate potential exposure, implement appropriate controls and responses, and track effectiveness over time.	The Group discloses the metrics and targets used to assess and manage material climate-related risks and opportunities. These metrics and targets provide a measurable basis for performance tracking, accountability, and continuous improvement.

Governance

The governance for the management of climate-related risks and opportunities is embedded within the Group's sustainability governance framework as described in the previous section "Sustainability Governance" and the later "Climate-related Risk Management" section.

The Board, in collaboration with the Sustainability and Risk Management Committees and the responsible senior management, actively integrates ESG considerations into the Group's long-term development strategy. This oversight ensures that appropriate ESG-related risk management and internal control systems are established and operate effectively across the Group.

Key ESG risks, including those related to climate change, are systematically assessed and incorporated into the Group's decision-making processes. By embedding climate considerations into governance structures and risk assessment routines, the Group is able to identify relevant exposures, evaluate their potential impacts, and implement appropriate measures to support resilience and sustainable business continuity.

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The Sustainability and Risk Committees ensure that the Group effectively identifies and responds to emerging risks in a timely manner. They oversee the climate-related risks and opportunities and assess their impacts and implications on business operations. The Committees ensure potential risk exposures are properly addressed and appropriate strategies are developed to mitigate these risks. The responsible senior management and the Sustainability Strategy Working Group implements the Group's strategies and prioritise material climate-related risks and opportunities. They also monitor and track the Group's ESG performance against established targets. The Board and the Sustainability and Risk Committees are kept well-informed of climate-related risks and opportunities regularly during the year that may affect the Group.

To oversee the design, implementation, and ongoing refinement of strategies to address climate-related risks and opportunities, the responsible senior management and the Sustainability Strategy Working Group must have the requisite skills, experience, and competencies. This includes a clear understanding of the climate-related risk landscape and the ability to translate such considerations into actionable governance, strategy, and risk management processes.

They are expected to continuously review and interpret relevant regulatory requirements and evolving disclosure expectations. In addition, they should remain informed of and familiar with recognised practices including, but not limited to, the development of climate-related governance structures, the application of climate-related risk management methodologies, and the approaches used to assess material climate-related risks and opportunities over short, medium, and long-term horizons.

Through this continuous learning and capability-building, the Group ensures that climate-related decision-making remains informed, robust, and aligned with applicable standards, thereby supporting effective oversight and credible disclosure to stakeholders.

Strategy

The Board is aware of the physical and transition risks associated with climate change, as well as the opportunities these may create for the Group. This awareness is central to our efforts to develop strategies that mitigate these risks and strengthen our resilience to the impacts of climate change.

The Group does not currently apply climate-related scenario analysis to differentiate between the drivers of climate-related risks or to assess physical and transition risks at the Group level. Given that our operations span multiple regions, including North America, Europe, China, and Asia, there may be limitations in the availability of sufficiently granular information that is reasonably accessible, reliable, and supportable for scenario analysis. In addition, obtaining the necessary inputs may require disproportionate cost or effort relative to the benefits of the exercise. The Group also recognises that it may not yet have the requisite skills, capabilities, and resources to prepare climate-related scenario analysis and to estimate potential financial effects, particularly in light of the broad geographical scope of our business.

To evaluate the potential impacts of climate change on our business, our management leverages its experience and professional judgment to assess climate-related physical and transition risks, as well as related opportunities. During the Reporting Year, we conducted physical risk assessments using the present climate conditions in locations where we operate and assuming global warming will continue. For transition risks, we assess based on the assumption that climate policies of global governments remain at existing levels, without being exaggerated or reduced. In parallel, we evaluated climate-related opportunities that may emerge from the impacts of the identified risks.

The insights derived from these assessments have been instrumental in shaping our climate strategy. They enable us to prioritize critical risks and formulate targeted action plans designed to strengthen our long-term resilience.

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Climate Resilience

Owing to absence of requisite skills, capabilities, and resources to prepare climate-related scenario analysis, the Group relies on the management's informed judgement to identify climate-related risks and opportunities. Where the management determines that identified climate-related risks and opportunities may affect the Group's business model, operational activities, and value chain, it integrates these considerations into strategic planning and governance processes. This includes developing and implementing appropriate strategic responses, such as reviewing and adjusting business plans, production and supply chain practices, investment priorities, and risk management measures. Further, management establishes decision-making processes and related financial and capital allocation frameworks to enable the Group to address material risks and to capture identified opportunities.

The Group prioritises physical risks, transition risks, and transition opportunities based on the potential materiality and magnitude of their impacts on the business across three time horizons:

- Short term (below 5 years)
- Medium term (6 to 10 years)
- Long term (over 10 years)

Through this horizon-based approach, the Group ensures that risk and opportunity prioritisation reflects both when impacts may arise and how significantly they could affect the Group's strategy, resilience, and value creation.

For each identified and prioritised risk and opportunity, the Group evaluates current strategic positioning and identifies gaps requiring action. The evaluation takes into account:

- Existing capabilities and investment
- Competitive positioning in the market
- Financial capacity
- Timeline required for the adaptation

The assessment and strategic planning are summarised in subsequent tables under Physical Risks, Transition Risks, and Climate-related Opportunities.

Physical Risks

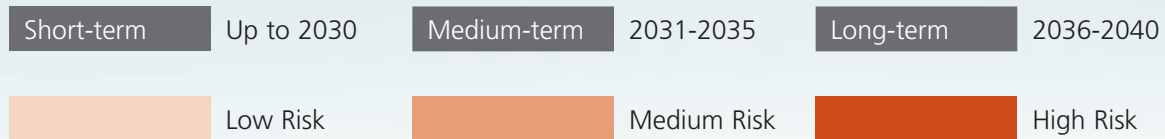
Based on the management's expertise and judgement, we conducted a physical risk assessment focused on our production operations and warehouse facilities in Bangladesh, Cambodia, Mexico, the PRC, and the US. Most of our production is concentrated in Bangladesh and Cambodia where these facilities are exposed to heatwaves, storms, torrential rain, and flooding.

In the short to medium term, acute physical risks are assessed as presenting a medium risk to the Group's operations and financial position. Over the long term, however, the risk level is expected to escalate, driven by the increasing frequency and intensity of extreme weather events associated with climate change. In response, the Group has proactively implemented mitigation measures designed to safeguard operations and minimize disruption. These efforts will be progressively enhanced over the long term as the risk landscape evolves and the level of exposure intensifies.

With respect to chronic risks, prolonged high temperatures are expected to persistently impact the Group's operations over the long term. This underscores the need to embed resilient strategies, such as investments in cooling infrastructure, and workforce heat-stress management programs, into the Group's long-term planning framework.

Notably, as the Group's factories and warehouses are not situated in close proximity to coastlines, exposure to sea-level rise is considered relatively low. Consequently, this particular climate-related risk does not currently represent a material risk to the Group's future operations or asset value.

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Physical Risks	Potential Operational and Financial Impact	Risk Over			Resilient Strategies
		Short Term	Med Term	Long Term	
Acute Risks					
Heatwave	<p>Operational Impacts</p> <ul style="list-style-type: none"> Workers working in hot weather may suffer from heat stress illness Reduce workforce productivity Reduce performance for equipment exposing in high temperature Quality risks as specific processes require stable temperature (such as dyeing) <p>Financial Impacts</p> <ul style="list-style-type: none"> Loss in working days due to heat-related illness Higher electricity cost due to increased cooling demand Quality instability leading to rework, higher return/claim rates 	Low Risk	Medium Risk	High Risk	<ul style="list-style-type: none"> Install insulated materials on factory roofs Install more electric fans and air conditioning systems Establish extreme weather policies and guidelines to strengthen workers' awareness on heat stress related illnesses Build heat contingencies into seasonal planning Increase regular maintenance check on machineries during hot months and provide localized cooling for high-heat equipment zone or production zone Engage with local government programs that offers assistance for funding factory retrofits and worker training on heat awareness
Heavy rain and flood	<p>Operational Impacts</p> <ul style="list-style-type: none"> Inventories and Facilities located near river, in particular the Bangladesh factory, or in floodplains are highly vulnerable Supply logistics breakdown impacting the work in progress 	Low Risk	High Risk	High Risk	<ul style="list-style-type: none"> Install flood barriers in vulnerable areas Strengthen buildings against strong wind Develop a comprehensive emergency response plan Plan for workers to commute safely to factories to maintain normal operations after storms and floods
Severe storms, hurricanes and costal flood	<ul style="list-style-type: none"> Raw materials shortage and price volatility, especially cotton cultivation is highly sensitive to rain and flood Workforce disruption at time of heavy rain, storm, and flood <p>Financial Impacts</p> <ul style="list-style-type: none"> Higher alternative materials replacement costs Damage to reputation due to delay in completion of works resulting in decrease of business Disruption of services resulting in increase of labour cost and loss of revenue Rescheduling operating recovery plan increases operational costs. Higher investments on climate-controlled warehouses, dehumidifiers, and waterproof packaging to protect inventories Rising insurance costs and coverage gaps 	Low Risk	Medium Risk	High Risk	<ul style="list-style-type: none"> Diversify supplier networks and geographic regions Collaborate with insurance agents to secure comprehensive coverage on facilities and production

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Physical Risks	Potential Operational and Financial Impact	Risk Over			Resilient Strategies
		Short Term	Med Term	Long Term	
Chronic Risks					
Continual rise in average temperature and increasing extreme heat days	<ul style="list-style-type: none"> Majority of our Group's manufacturing facilities are located in Bangladesh and Cambodia and exposed to extreme heat Reduce working productivity Higher electricity cost due to cooling demand Higher investment in cooling systems and ventilation 				<ul style="list-style-type: none"> Install cooling infra-structure Upgrade to energy-efficient equipment and practices Guidelines are given to strengthen workers' awareness on heat stress related illnesses Reduce reliance on fossil fuels and install solar power systems
Rising sea level	<ul style="list-style-type: none"> Depending on the factory's distance from coastline, flooding may occur frequently impacting operations and asset value Suppliers and cotton plantations near coastal areas may be affected 				<ul style="list-style-type: none"> Our factory and business locations are not situated near coastlines, we shall closely monitor flooding risks Diversify supply chain base

Transition Risks

To evaluate transition risks, we focused on the Group's manufacturing operations and the head office in Hong Kong. The findings are summarised in the following table and elaborated in another table below detailing their potential operational and financial impacts and our resilient strategies.

CATEGORY	SPECIFIC DESCRIPTION
Policy	Governments, regulators, and stock exchanges around the world have been formulating stricter laws and regulations to reduce GHG emissions, enhance ESG practices and climate-related disclosures. The Hong Kong Institute of Certified Public Accountants and HKEX have issued standards and code respectively for listed companies to follow.
Technology	Costs associated with adopting new technologies to achieve sustainability or compete in an increasingly green market.
Market	Customers change preference to sustainable greener operations and products.
Reputation	Negative public perception of the Group's climate-related risks, leading to loss of customer loyalty. Investors and shareholders concern in ESG performance rating and compliance.

Environmental, Social and Governance Report

Short-term Up to 2030 Medium-term 2031-2035 Long-term 2036-2040

Low Risk Medium Risk High Risk

Transition Risks	Potential Operational and Financial Impact	Risk Over			Resilient Strategies
		Short Term	Med Term	Long Term	
Policy	<ul style="list-style-type: none"> Listed company compliance costs – increase in consultancy fees, assurance fees, and manpower for reporting, etc. 				<ul style="list-style-type: none"> Collaborate with suppliers and brands to co-invest in decarbonisation projects to ensure supply chain stability Adopt recognised global standards and obtain relevant environmental certifications for verified proof of compliance and building customer trust Enhance the Group's risk management system and relevant internal control policies and procedures Provide training to staff on compliance and regulatory requirements
	<ul style="list-style-type: none"> Implementation of stricter environmental regulations, e.g. carbon pricing and emissions targets – require low carbon production, increase in cost of production and more complexity and restriction for export to European Union 				
	<ul style="list-style-type: none"> Mandatory supply chain and carbon emissions reporting – increase in administrative costs for traceability in supply chain, auditing, software platforms, etc. 				
	<ul style="list-style-type: none"> Material and chemical bans – increase in costs for redesigning products and sourcing green material. 				
Technology	<ul style="list-style-type: none"> Need capital investment on upgrading to low-carbon equipment and technologies Stranded assets – coal or gas infrastructures, diesel generators etc. will become obsolete 				<ul style="list-style-type: none"> Keep the management informed about technology advancements on less GHG emissions equipment and technology Collaborate with local government for grid modernisation and renewable energy procurement Support smaller suppliers in low-carbon technology investments
	<ul style="list-style-type: none"> Customers and consumers prefer low carbon environmentally friendly products Eco-friendly materials carry higher costs 				
Market	<ul style="list-style-type: none"> Certain markets compulsorily require the use of renewable energy 				<ul style="list-style-type: none"> Develop production capabilities specifically for sustainable lines Partner with emerging eco-conscious brands Collaborate with material suppliers to ensure verifiable low carbon materials along the supply chain
	<ul style="list-style-type: none"> Higher market competition as competitors offering alternative low carbon products 				
	<ul style="list-style-type: none"> Loss of brand partner and customer trust due to failure to meet sustainability commitments and climate expectations 				
Reputation	<ul style="list-style-type: none"> Deteriorate reputation due to low ESG rating or failure to meet investors' expectation regarding climate-related sustainability efforts and disclosure 				<ul style="list-style-type: none"> Pursue rigorous third-party certifications on products and materials Transparently communicate climate-related risk management strategies with investors and other stakeholders to build trust and support
	<ul style="list-style-type: none"> Loss of brand partner and customer trust due to failure to meet sustainability commitments and climate expectations 				

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Climate-related Opportunities

While climate transition poses significant risks, it also creates substantial opportunities for the Group when we position ourselves strategically. The shift toward a low-carbon, circular economy is reshaping market dynamics, rewarding early movers with competitive advantages across multiple dimensions.

Short-term	Up to 2030	Medium-term	2031-2035	Long-term	2036-2040
	Low Opportunity		Medium Opportunity		High Opportunity

Opportunities	Potential Benefits	Opportunity Over			The Group's Strategies and Actions
		Short Term	Med Term	Long Term	
Transition to renewable energy and carbon trading markets	<ul style="list-style-type: none"> Reduce GHG emissions and offer customers Scope 3 emissions reduction, creating a sales advantage Create carbon credit revenue 				<ul style="list-style-type: none"> Purchase or set up renewable energy at early stage to obtain stable supply of renewable energy and maintain smooth production Collaborate with local government for grid supply of clean energy
Sustainable innovative materials	<ul style="list-style-type: none"> Enhance customer loyalty by using heat management technology and eco-friendly materials 				<ul style="list-style-type: none"> Invest in R&D for recycled, bio-based alternative materials Secure certified material supply chains
Transition to low-carbon technology	<ul style="list-style-type: none"> Low carbon production methods to improve production and energy efficiency Automation process to cut costs while meeting sustainability targets 				<ul style="list-style-type: none"> Gradually set up automatic production lines to enhance competitiveness Follow market trends, regulations, and technological advancement in sustainability
Improve energy efficiency	<ul style="list-style-type: none"> Reduce energy and operating costs 				<ul style="list-style-type: none"> Promote the use of energy monitoring management system Improve energy saving of equipment Increase use of renewable energy
Access to new financing sources	<ul style="list-style-type: none"> Able to access to green loans and funds, or government grants for companies prioritising low-carbon operations or sustainable products 				<ul style="list-style-type: none"> Provide supportive sustainability reports with verifiable data for obtaining green funding
Investors' concern over ESG performance	<ul style="list-style-type: none"> Enhance investors' confidence by enhancing the Group's ESG ratings and reputation Cheaper cost of capital with the recognition from investors 				<ul style="list-style-type: none"> Reinforce the Group's ESG governance, practices, and reporting in medium to long-term

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Financial Position, Financial Performance and Cash Flows

Due to the absence of reasonable and supportable information, we are currently unable to quantitatively assess the financial impacts of climate-related risks and opportunities without incurring undue costs or efforts. We will closely monitor developments and, to the extent feasible, disclose any significant impacts in future reporting periods on our current financial position, financial performance, and cash flows, as well as on our anticipated financial position, financial performance, and cash flows, when relevant information becomes available at a cost and effort level that is reasonable. Accordingly, we do not anticipate the need for any material adjustments to our assets and liabilities for the next reporting year. Over the long term, we will refresh our climate resilience analysis to strengthen our understanding of how climate-related risks and opportunities may affect our financial position, performance, and cash flows.

Climate-related Risk Management

Our climate risk management is integrated into our cross-group risk management system. Within the risk management system, climate risks are identified, assessed, prioritised, monitored and reviewed regularly by the operational departments, senior management, the Risk Committee, the Sustainability Committee, and the Board. The risks are prioritised in accordance to their low, medium and high risk levels and it allows us to develop response plan and mitigation actions. For more details, please refer to “Our Sustainability Value Creation Process” and the “Risk Management” section in the Corporate Governance Report.

Our Climate-related Risk Management Process



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Metrics and Targets

Greenhouse Gas Emissions

The Group's GHG emissions encompass both direct and indirect sources across our operations and value chain:

- Scope 1 (Direct GHG emissions): Emissions from on-site fuel and gas combustion, including fuel used by the Groups' goods vehicles, passenger cars, boilers, water heaters, and generators.
- Scope 2 (Indirect GHG emissions): Emissions associated with purchased electricity consumed in our factories, warehouses, and offices.
- Scope 3 (indirect GHG emissions from value chain): Indirect emissions occurring across the Group's entire value chain (upstream and downstream). Of the 15 Scope 3 categories, 11 are relevant to the Group.

GHG Emissions ¹			
	2025	2024	Change
	(tonnes CO ₂ e)	(tonnes CO ₂ e)	(%)
Scope 1 ²	836.63	863.52	-3.1%
Scope 2 ² (location based)	8,450.33	7,863.10	+7.5%
Scope 3 ³	32.37	—	N/A
Total GHG Emissions (gross)	9,319.33	8,726.62	+6.8%
GHG Intensity (tonnes CO ₂ e/employee) ⁴	1.08	1.06	+1.9%

1 GHG emissions are measured in accordance with the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (2004). The Group's GHG emissions includes carbon dioxide, methane, nitrous oxide, fluorinated gases. GHG emissions data is presented in carbon dioxide equivalent (CO₂e)

2 GHG emission factors are derived from HKEX Reporting Guidance on Environmental KPIs, CLP Holdings Limited ESG Databook, Bangladesh Department of Environment, Mexico SERMARNANT, co2emissiefactoren.nl, Ministry of Ecology and Environment of the People's Republic of China, IGES List of Grid Emission Factors, US Environmental Protection Agency eGrid Summary Table

3 Included Category 6 emissions from business air travel

4 In terms of number of employees at the year end

During the Reporting Year, we evaluate the Group's Scope 3 GHG emissions with reference to the Greenhouse Gas Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard (2011). The relevance of each Scope 3 category to the Group is listed in the following table.

Environmental, Social and Governance Report

Scope 3 Categories		Relevant to the Group	Included in Calculation of Scope 3 Emissions	Reasons for Exclusion
Category 1	Purchase Goods and Services	Yes	No	Primary emissions data of suppliers is not available.
Category 2	Capital Goods	Yes	No	Primary emissions data of suppliers is not available.
Category 3	Fuel- and Energy-Related Activities Not included in Scope 1 or Scope 2	Yes	No	Primary emissions data of suppliers is not available.
Category 4	Upstream Transportation and Distribution	Yes	No	Primary emissions data of suppliers is not available.
Category 5	Waste Generated in Operations	Yes	No	Primary emissions data of suppliers is not available.
Category 6	Business Travel	Yes	Yes ¹	N/A
Category 7	Employee commuting	Yes	No	It is currently excluded due to lack of primary data from employee commuting surveys across multiple factories and offices.
Category 8	Upstream Leased Assets	Yes	No	Emissions from the use of electricity related to office and factories leased by the Group had been included in Scope 2 emissions.
Category 9	Downstream Transportation and Distribution	Yes	No	Primary emissions data of suppliers is not available
Category 10	Processing of Sold Products	No	No	The sold products do not require further processing before use by end consumers.
Category 11	Use of Sold Products	Yes	No	The sold products do not consume energy during use and are classified as “indirect use-phase emissions”; disclosure of these emissions is not mandatory.
Category 12	End-of-Life Treatment of Sold Products	Yes	No	Due to global distribution of sold products, primary data on consumer disposal behaviour is unavailable.
Category 13	Downstream Leased Assets	No	No	Lease of offices to third party entities is not the primary business of the Group.
Category 14	Franchises	No	No	The Group does not have franchise operations.
Category 15	Investments	No	No	The Group does not have financial institution operations.

1 This category includes emissions from air travel of employees for business-related activities. The emissions amount is obtained from International Civil Aviation Organisation Carbon Emissions Calculator by distance-based method and using internal activity data.

Environmental, Social and Governance Report

Environmental and Climate-related Targets

In our unwavering commitment to environmental excellence, we are dedicated to identifying and implementing continuous improvements across our global operations. To formalise this commitment and drive meaningful change, we have established a comprehensive suite of environmental and climate-related targets for our primary manufacturing facility in Bangladesh for the 2025 financial year.

These strategic benchmarks serve as a roadmap to guide our sustainability efforts and provide a rigorous framework for measuring our progress. By anchoring our initiatives in data-driven goals, we ensure accountability and transparency in our journey toward a lower carbon footprint. The table below outlines our specific 2025 action plans, designed to optimise resource efficiency and mitigate our environmental impact.

ASPECT	2025 TARGET	ACTION PLAN
Air emissions	Reduce 5% by 2030	<ul style="list-style-type: none"> • Reduce air emissions from generators <ul style="list-style-type: none"> – Use fuel additives to improve combustion efficiency – Install catalytic after-treatment systems to filter soot particles and chemically convert toxic CO and HC into harmless CO₂ and water – Regular maintenance for all generators • Reduce air emissions from boiler <ul style="list-style-type: none"> – Switch to low-load natural gas operation to lower boiler emissions
Energy consumption	Reduce 5% by 2030	<ul style="list-style-type: none"> • Reduce electricity consumption <ul style="list-style-type: none"> – Switch off idle equipment, machines, lighting and computers – Replace with solar and led lighting – Upgrade to high efficiency motors – Install additional zoned lighting control – Upgrade air-conditioning system to energy-efficient model • Reduce fuel consumption <ul style="list-style-type: none"> – Proper thermal insulation to prevent heat loss from steam system – Enhance combustion efficiency of boiler via condensate recovery, descaling and precision fuel-air ratio tuning – Maintain diesel generators through scheduled servicing and combustion chamber monitoring to ensure fuel economy
GHG emissions	Reduce 5% by 2030	<ul style="list-style-type: none"> • Reduce fuel consumption to reduce scope 1 emissions • Reduce electricity consumption to reduce scope 2 emissions
Water	Reduce 5% by 2030	<ul style="list-style-type: none"> • Install water-efficient equipment, fix leaks and replace valves promptly • Reduce rinsing cycles and reuse condensate for boiler feed • Implement housekeeping standards to improve water use efficiency
Non-hazardous waste	Reduce 5% by 2030	<ul style="list-style-type: none"> • Use auto-cutting and precision quality control to minimise material waste and defect • Reduce fabric replenishment and promote waste awareness to optimise inventory • Repurpose metal, mechanical and electronic waste through professional servicing
Hazardous waste	Immaterial to set target	N/A

Environmental, Social and Governance Report

THE HKEX ESG REPORTING CODE CHECKLIST

ASPECTS	DESCRIPTION	PAGE REF/ REMARK
Mandatory Disclosure Requirements		
Governance Structure	A statement from the board containing the following elements: (i) a disclosure of the board's oversight of ESG issues; (ii) the board's ESG management approach and strategy, including the process used to evaluate, prioritise and manage material ESG-related issues (including risks to the issuer's businesses); and (iii) how the board reviews progress made against ESG-related goals and targets with an explanation of how they relate to the issuer's businesses.	45-50
Reporting Principles	A description of, or an explanation on, the application of the following Reporting Principles in the preparation of the ESG report: Materiality: The ESG report should disclose: (i) the process to identify and the criteria for the selection of material ESG factors; (ii) if a stakeholder engagement is conducted, a description of significant stakeholders identified, and the process and results of the issuer's stakeholder engagement. Quantitative: Information on the standards, methodologies, assumptions and/ or calculation tools used, and source of conversion factors used, for the reporting of emissions/energy consumption (where applicable) should be disclosed. Consistency: The issuer should disclose in the ESG report any changes to the methods or KPIs used, or any other relevant factors affecting a meaningful comparison.	45
Reporting Boundary	A narrative explaining the reporting boundaries of the ESG report and describing the process used to identify which entities or operations are included in the ESG report. If there is a change in the scope, the issuer should explain the difference and reason for the change.	45-46
A. Environmental		
Aspect A1: Emissions		
General Disclosure	Information on: (a) the policies; (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	51-52
KPI A1.1	The types of emissions and respective emissions data.	53
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity.	54
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity.	54
KPI A1.5	Description of emission target(s) set and steps taken to achieve them.	80
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.	53-54, 80

Environmental, Social and Governance Report

ASPECTS	DESCRIPTION	PAGE REF/ REMARK
Aspect A2: Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water, and other raw materials.	54-56
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity.	54-55
KPI A2.2	Water consumption in total and intensity.	55
KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	54-55
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.	55
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	56
Aspect A3: The Environment and Natural Resources		
General Disclosure	Policies on minimising the issuer's significant impact on 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.	56
B. Social		
Employment and Labour Practices		
Aspect B1: Employment		
General Disclosure	Information on: (a) the policies; (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	56-59
KPI B1.1	Total workforce by gender, employment type, age group and geographical region.	60
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	61
Aspect B2: Health and Safety		
General Disclosure	Information on: (a) the policies; (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	63-64
KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	64
KPI B2.2	Lost days due to work injury.	64
KPI B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	63-64

Environmental, Social and Governance Report

ASPECTS	DESCRIPTION	PAGE REF/ REMARK
Aspect B3: Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	61-63
KPI B3.1	The percentage of employees trained by gender and employee category.	63
KPI B3.2	The average training hours completed per employee by gender and employee category.	63
Aspect B4: Labour Standards		
General Disclosure	Information on: (a) the policies; (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	57
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	57
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	57
Operating Practices		
Aspect B5: Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	65-66
KPI B5.1	Number of suppliers by geographical region.	66
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.	65-66
KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	65-66
KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	65-66
Aspect B6: Product Responsibility		
General Disclosure	Information on: (a) the policies; (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	66-68
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	67
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	67
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	68
KPI B6.4	Description of quality assurance process and recall procedures.	67
KPI B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	68

Environmental, Social and Governance Report

ASPECTS	DESCRIPTION	PAGE REF/ REMARK
Aspect B7: Anti-corruption		
General Disclosure	Information on: (a) the policies; (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud, and money laundering.	68-69
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 cases.	69
KPI B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	69
KPI B7.3	Description of anti-corruption training provided to directors and staff.	69
Community		
Aspect B8: Community Investment		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	64-65
KPI B8.1	Focus areas of contribution.	64-65
KPI B8.2	Resources contributed to the focus area.	64-65
Climate-related Disclosures		
Governance		
General disclosure	Information about <ol style="list-style-type: none"> i. the governance body(ies) responsible for oversight of climate-related risks and opportunities ("CRO"). In particular, how the body(ies) determines appropriate skills and competencies are available, is informed of CRO, considers CRO in business decisions, and oversees and monitors progress and targets related to CRO; ii. management's role in managing and overseeing CRO including delegation to specific management position or committee, and using and integrating controls and procedures to support oversight of CRO. 	70-71
Strategy		
Climate-related risks and opportunities	Disclosure of information about the CRO identified by the issuer that could reasonably be expected to affect the issuer's cash flows, its access to finance or cost of capital over the short, medium, or long term.	72-76
Business model and value chain	Disclosure of information about the current and anticipated effects of CRO on the issuer's business model and value chain.	72-76
Strategy and decision making	Disclosure of information to enable an understanding of the effects of CRO on the issuer's strategy and decision-making. Specifically: <ol style="list-style-type: none"> i. how the issuer has responded to CRO, including anticipated changes to business model, resource allocation, current and anticipated adaptation and mitigation efforts, climate-related transition plan, and climate-related targets; ii. how the issuer resources the responses in above; iii. disclosure of information about the progress of plans for above. 	71-76

Environmental, Social and Governance Report

ASPECTS	DESCRIPTION	PAGE REF/ REMARK
Financial position, financial performance and cash flows	Disclosure of qualitative and quantitative information about <ol style="list-style-type: none"> i. the impact of CRO on the issuer's current financial position, financial performance, and cash flows for the reporting period, and need for material adjustment to the assets and liabilities for next reporting period; ii. the impact of CRO on the issuer's anticipated financial position, taking into consideration its investment and disposal plans, and sources of funding, and on the anticipated financial performance, and cash flows over the short, medium and long term. 	77
Climate resilience	Disclosure of information about the resilience of the issuer's strategy and business model to climate-related changes, developments and uncertainties, taking into consideration of the issuer's identified CRO. The issuer shall use climate-related scenario analysis to assess its climate resilience. Specifically: <ol style="list-style-type: none"> i. the implications for its strategy and business model; ii. the significant areas of uncertainty; iii. the issuer's capacity to adjust or adapt to its strategy and business model to climate change over the short, medium or long term; iv. information about the inputs used when the climate-related scenario was carried out, the key assumptions and the reporting period the analysis was carried out. 	72-76
Risk Management		
General disclosure	Information about <ol style="list-style-type: none"> i. the issuer's processes and related policies to identify, assess, prioritise and monitor climate-related risks (including data sources and the scope; whether using of climate-related scenario analysis; how to assess the nature, likelihood and magnitude of risks; and how to prioritise and monitor risks); ii. the issuer's processes to identify, assess, prioritise, and monitor climate-related opportunities; iii. the extent to which, and how, the processes for identifying, assessing, prioritising, and monitoring climate-related risks and opportunities are integrated into and inform the issuer's overall risk management process. 	77
Metrics and Targets		
Greenhouse gas emissions	Disclosure of information about: <ol style="list-style-type: none"> i. scope 1, Scope 2, and Scope 3 GHG emissions; ii. the method used to measure GHG emissions; iii. the approach used to measure GHG emissions; iv. the location-based Scope 2 GHG emissions; v. categories included in the Scope 3 GHG emissions. 	78-79
Climate-related transition risks and physical risks	Disclosure of information about the amount and percentage of assets or business activities vulnerable to climate-related transition risks and physical risks.	Due to absence of reasonable and supportable information, we are unable to determine the financial effects of climate-related risks and opportunities without undue cost or efforts for the time being.
Climate-related opportunities	Disclosure of information about the amount and percentage of assets or business activities aligned with climate-related opportunities.	
Capital deployment	Disclosure of information about the amount of capital expenditure, financing or investment deployed towards CRO.	

Environmental, Social and Governance Report

ASPECTS	DESCRIPTION	PAGE REF/ REMARK
Internal carbon prices	Disclosure of information about <ol style="list-style-type: none"> i. explanation of whether and how the issuer is applying a carbon price in decision-making; ii. the price of each metric tonne of greenhouse gas emissions the issuer uses to assess the costs of its greenhouse gas emissions; iii. or an appropriate negative statement that the issuer does not apply a carbon price in decision-making. 	Not relevant. We are not applying internal carbon prices.
Remuneration	Disclosure of information about whether and how climate-related considerations are factored into remuneration policy.	It is not formally factored into our remuneration policy currently.
Climate-related targets	Disclosure of information about <ol style="list-style-type: none"> i. the qualitative and quantitative climate-related targets set by the issuer to monitor progress towards achieving its strategic goals, and any targets the issuer is required to meet by law or regulation (including metric used, the objective, the scope of application, the period and the base period, milestones if any, and whether they are absolute or intensity targets); ii. the issuer's approach to setting, reviewing, and monitoring the progress of each target; iii. the issuer's performance against each climate-related target and an analysis of trends or changes in the issuer's performance; iv. for each GHG emissions target, whether Scope 1, 2, or 3 GHG emissions are covered; whether it is a gross or net emissions target; whether it was derived using a sectoral decarbonisation approach; planned use of carbon credits to achieve any net GHG emissions target; the type of carbon credit; and the credibility and integrity of the carbon credits. 	80

Independent Auditor's Report



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 93 to 179, comprise:

- the consolidated balance sheet as at 31 December 2025;
- 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 2025, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with HKFRS Accounting Standards as 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 (“HKSA”) as 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”), as applicable to audits of financial statements of public interest entities. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, 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

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 2025, the Group held inventories of HK\$399.1 million, after provision for inventories of HK\$63.2 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.

How our audit addressed the Key Audit Matter

Our audit procedures in relation to management's assessment on NRV and obsolescence of inventories included:

- Understood 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 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;
- Performed a recalculation of inventory provision of the inventories as at 31 December 2025; and
- 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.

Independent Auditor's Report

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.

Responsibilities of Directors and the 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 HKFRS Accounting Standards as 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 HKSAAs 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.

Independent Auditor's Report

As part of an audit in accordance with HKSAAs, we exercise professional judgment 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.
- 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.

Independent Auditor's Report

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 (practising certificate number: P05150).

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 26 March 2026

Consolidated Statement of Profit or Loss

For the year ended 31 December 2025

	Note	2025 HK\$'000	2024 HK\$'000
Revenue	5	1,701,046	1,474,488
Cost of sales	8	(1,174,805)	(1,019,006)
Gross profit		526,241	455,482
Other income	6	30,265	30,726
Other gains/(losses) — net	7	6,814	(267)
Selling and distribution costs	8	(137,162)	(152,249)
Administration expenses	8	(248,504)	(214,067)
Net impairment losses on financial assets	22	(3,590)	(6,621)
Profit from operations		174,064	113,004
Finance income	9	3,528	2,943
Finance costs	9	(13,402)	(14,666)
Finance costs – net		(9,874)	(11,723)
Share of loss from an investment accounted for using equity method	11	(393)	(29)
Profit before income tax		163,797	101,252
Income tax expense	12	(37,595)	(39,420)
Profit for the year		126,202	61,832

Consolidated Statement of Profit or Loss

For the year ended 31 December 2025

	Note	2025 HK\$'000	2024 HK\$'000
Profit attributable to:			
Owners of the Company		118,468	57,074
Non-controlling interests		7,734	4,758
		126,202	61,832
Earnings per share for the profit attributable to owners of the Company			
	13		
Basic (HK cents per share)		27.6043	13.2989
Diluted (HK cents per share)		27.6043	13.1488

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 2025

	2025	2024
Note	HK\$'000	HK\$'000
Profit for the year	126,202	61,832
Other comprehensive income, net of tax		
Items that will not be subsequently reclassified to profit or loss:		
Exchange differences on translation of financial statements of foreign operations	2,124	—
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	12,707	(7,039)
Total comprehensive income for the year, net of tax	141,033	52,985
Total comprehensive income attributable to:		
Owners of the Company	131,175	48,596
Non-controlling interests	9,858	4,389
Total comprehensive income for the year	141,033	52,985

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

Consolidated Balance Sheet

As at 31 December 2025

	Note	2025 HK\$'000	2024 HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment	15	655,235	670,208
Right-of-use assets	34	44,708	55,628
Investment properties	16	54,280	54,151
Goodwill	18	35,065	30,856
Other intangible assets	19	77,626	75,380
Deferred income tax assets	20	4,269	3,171
Investment accounted for using equity method	11	—	393
Financial assets at fair value through profit or loss	25	41,629	41,885
Other financial assets at amortised cost	22	2,553	1,442
Other non-current assets	23	8,728	7,247
		<u>924,093</u>	<u>940,361</u>
Current assets			
Inventories	21	399,095	395,767
Trade receivables	22	431,752	375,642
Financial assets at fair value through profit or loss	25	4,740	4,216
Other financial assets at amortised cost	22	38,493	18,707
Other current assets	24	22,135	15,129
Tax recoverable		3,251	3,251
Short-term deposits	26	5,762	12,155
Cash and cash equivalents	26	168,446	179,638
		<u>1,073,674</u>	<u>1,004,505</u>
Total assets		<u>1,997,767</u>	<u>1,944,866</u>
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital	27	42,916	42,916
Other reserves		219,830	208,235
Retained earnings		951,336	866,089
		<u>1,214,082</u>	<u>1,117,240</u>
Non-controlling interests		<u>69,962</u>	<u>62,049</u>
Total equity		<u>1,284,044</u>	<u>1,179,289</u>

Consolidated Balance Sheet

As at 31 December 2025

	Note	2025 HK\$'000	2024 HK\$'000
LIABILITIES			
Non-current liabilities			
Other payables	29	38,375	26,394
Lease liabilities	34	31,286	45,911
Deferred income tax liabilities	20	29,901	31,547
		<u>99,562</u>	<u>103,852</u>
Current liabilities			
Trade and other payables	29	399,320	402,196
Amount due to a non-controlling interest	30	—	498
Borrowings	31	140,353	199,479
Lease liabilities	34	17,353	14,382
Current income tax liabilities		57,135	45,170
		<u>614,161</u>	<u>661,725</u>
Total liabilities		<u>713,723</u>	<u>765,577</u>
Total equity and liabilities		<u>1,997,767</u>	<u>1,944,866</u>
Net current assets		<u>459,513</u>	<u>342,780</u>
Total assets less current liabilities		<u>1,383,606</u>	<u>1,283,141</u>

The consolidated financial statements on pages 93 to 179 were approved by the Board of Directors on 26 March 2026 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 2025

	Attributable to owners of the Company							Non-controlling interests	Total equity	
	Share capital	Share premium	Capital reserve	Share based compensation reserve	Other reserve	Exchange reserve	Retained earnings			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Balance as at 1 January 2025	42,916	169,606	25,878	9,650	6,837	(3,736)	866,089	1,117,240	62,049	1,179,289
Profit for the year	—	—	—	—	—	—	118,468	118,468	7,734	126,202
Other comprehensive income:										
— Exchange differences on translation of financial statements of foreign operations	—	—	—	—	—	12,707	—	12,707	2,124	14,831
Total comprehensive income for the year, net of tax	—	—	—	—	—	12,707	118,468	131,175	9,858	141,033
Share options scheme:										
— Share options lapsed	—	—	—	(1,112)	—	—	1,112	—	—	—
2024 final dividend paid (note 14)	—	—	—	—	—	—	(21,458)	(21,458)	—	(21,458)
2025 interim dividend paid (note 14)	—	—	—	—	—	—	(12,875)	(12,875)	—	(12,875)
Dividend paid to non-controlling interests of a subsidiary	—	—	—	—	—	—	—	—	(1,945)	(1,945)
	—	—	—	(1,112)	—	—	(33,221)	(34,333)	(1,945)	(36,278)
Balance at 31 December 2025	42,916	169,606	25,878	8,538	6,837	8,971	951,336	1,214,082	69,962	1,284,044

Consolidated Statement of Changes in Equity

For the year ended 31 December 2025

	Attributable to owners of the Company								Non-controlling interests	Total equity
	Share capital	Share premium	Capital reserve	Share based		Exchange reserve	Retained earnings	Total		
				compensation reserve	Other reserve					
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 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	—	—	—	—	—	—	—	—	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

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 2025

	Note	2025 HK\$'000	2024 HK\$'000
Cash flows from operating activities			
Cash generated from operations	32(a)	220,546	207,048
Income tax paid		(30,296)	(39,718)
Net cash inflow from operating activities		190,250	167,330
Cash flows from investing activities			
Interest received		3,528	2,943
Proceeds from short-term deposits		36,976	41,175
Placement of short-term deposits		(29,786)	(44,375)
Purchase of property, plant and equipment		(49,854)	(171,804)
Purchase of intangible assets		(24,692)	(38,987)
Purchase of financial assets at fair value through profit or loss	25	(3,876)	(1,050)
Proceed from disposal of a financial asset at fair value through profit or loss		10,052	—
Distribution proceeds from financial assets at fair value through profit or loss	25	—	875
Proceeds from disposal of property, plant and equipment	32(b)	2,357	26
Other financial assets at amortised cost – loan		(23,340)	—
Acquisition of a subsidiary, net of cash acquired		—	(42,935)
Disposal of subsidiaries, net of cash disposed of		—	(769)
Net cash outflow from investing activities		(78,635)	(254,901)
Cash flows from financing activities			
Interest paid		(11,578)	(14,666)
Repayment of borrowings	32(c)	(137,531)	(109,746)
Proceeds from borrowings	32(c)	78,405	133,075
Payment for lease liabilities	32(c)	(18,935)	(15,047)
Repayment to non-controlling interests		(498)	—
Acquisition of further interests in subsidiaries		—	(2,903)
Dividends paid		(34,333)	(38,627)
Dividends paid to non-controlling interests		(1,945)	(1,556)
Net cash outflow from financing activities		(126,415)	(49,470)
Net decrease in cash and cash equivalents		(14,800)	(137,041)
Cash and cash equivalents at beginning of year		179,638	317,849
Effect of foreign exchange rate changes		3,608	(1,170)
Cash and cash equivalents at end of year		168,446	179,638

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 2025

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 HM 11, 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

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

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

(i) New and amended standards adopted by the Group

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

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

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

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

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

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

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

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

(c) *HKFRS 18 Presentation and Disclosure in Financial Statements (effective for annual periods beginning on or after 1 January 2027)*

HKFRS 18 will replace HKAS 1 *Presentation of financial statements*, introducing new requirements that will help to achieve comparability of the financial performance of similar entities and provide more relevant information and transparency to users. Even though HKFRS 18 will not impact the recognition or measurement of items in the financial statements, its impacts on presentation and disclosure are expected to be pervasive, in particular those related to the statement of financial performance and providing management-defined performance measures within the financial statements.

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

- o for the first annual period of application of HKFRS 18, a reconciliation for each line item in the statement of profit or loss between the restated amounts presented by applying HKFRS 18 and the amounts previously presented applying HKAS 1.

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

3. FINANCIAL RISK MANAGEMENT

3.1 CATEGORIES OF FINANCIAL INSTRUMENTS

	2025 HK\$'000	2024 HK\$'000
Financial assets		
Financial assets at amortised cost		
— Trade receivables	431,752	375,642
— Other financial asset at amortised cost	41,046	20,149
— Short-term deposits	5,762	12,155
— Cash and cash equivalents	168,446	179,638
	647,006	587,584
Financial assets at fair value through profit or loss	46,369	46,101
	693,375	633,685
Financial liabilities		
Financial liabilities at amortised cost:		
— Trade and other payables	334,554	340,512
— Amount due to a non-controlling interest	—	498
— Lease liabilities	48,639	60,293
— Borrowings	140,353	199,479
	523,546	600,782

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

3.2 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 People's Republic of China's government. The Group manages its foreign currency risk by closely monitoring the movement of the foreign currency rates.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

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 2025, 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\$2,071,000 (2024: HK\$1,090,000) 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 2025, 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\$249,000 (2024: HK\$272,000) lower/higher, mainly as a result of the foreign exchange difference on translation of GBP denominated currents accounts with group companies.

As at 31 December 2025, 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\$880,000 (2024: HK\$1,306,000) lower/higher, mainly as a result of the foreign exchange difference on translation of EUR denominated currents accounts with group companies.

As at 31 December 2025, 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\$394,000 (2024: HK\$535,000) 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 2025, 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\$3,200,000 (2024: HK\$1,787,000) 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 2025, 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\$278,000 (2024: HK\$463,000) lower/higher, mainly as a result of the foreign exchange difference on translation of US\$ denominated cash and cash equivalents.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

(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 2025, 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\$586,000 (2024: HK\$772,000). 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 and unlisted equity investments 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\$4,637,000 (2024: HK\$4,610,000), mainly as a result of unrealised gains/losses on 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

(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 46% (2024: 49%) and 67% (2024: 65%) 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

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 2025, the balance of loss allowance in respect of these individually assessed receivables was HK\$11,057,000 (2024: HK\$12,183,000).

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 2025 and 2024:

	As at 31 December	
	2025	2024
	HK\$'000	HK\$'000
Gross carrying amount	11,057	12,183
Loss allowance	(11,057)	(12,183)
Net carrying amount	<u>—</u>	<u>—</u>

(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 8 years and are adjusted to reflect current and forward-looking information on macroeconomic factors including Gross Domestic Product (GDP) and Consumer Price Index (CPI) affecting the ability of the customers to settle the receivables.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

On that basis, the loss allowance as at 31 December 2025 and 2024 was determined as follows:

	Expected loss rate %	Gross carrying amount HK\$'000	Loss allowance		Total HK\$'000
			Individually assessed HK\$'000	Collectively assessed HK\$'000	
As at 31 December 2025					
1 – 60 days	0.7%	277,567	—	(1,883)	(1,883)
61 – 120 days	0.7%	104,291	—	(769)	(769)
Over 120 days	10.5%	71,040	(11,057)	(7,437)	(18,494)
		<u>452,898</u>	<u>(11,057)</u>	<u>(10,089)</u>	<u>(21,146)</u>
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)
		<u>400,015</u>	<u>(12,183)</u>	<u>(12,190)</u>	<u>(24,373)</u>

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

For other financial assets at amortised cost relating to accounts in which there are objective evidence that the likelihood of settlement from counterparties are remote, they are assessed individually for impairment allowance. Accordingly loss allowance of HK\$6,817,000 (2024: no loss allowance) was made as at 31 December 2025.

There is no significant loss allowance for short term deposits and cash and cash equivalents as at 31 December 2025 (2024: 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 2025, the Group's total available banking facilities, amounted to approximately HK\$785,648,000 (2024: HK\$905,439,000), of which approximately HK\$140,353,000 (2024: HK\$184,814,000) 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

31 December 2025

	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	—	296,180	41,658	—	337,838
Lease liabilities	—	20,165	25,497	10,547	56,209
Borrowings	140,353	—	—	—	140,353
Total	140,353	316,345	67,155	10,547	534,400

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

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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For the year ended 31 December 2025

	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 2025				
Principal	85,351	30,071	24,931	140,353
Interest	3,410	1,236	997	5,643
	88,761	31,307	25,928	145,996
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

(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.

	2025 HK\$'000	2024 HK\$'000
Borrowings (note 31)	140,353	199,479
Lease liabilities (note 34)	48,639	60,293
Net debt	188,992	259,772
Equity	1,284,044	1,179,289
Gearing ratio (%)	14.7	22.0

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

(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 2025 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 that are measured at fair values:

	2025			Total HK\$'000
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	
Assets				
Financial assets at fair value through profit or loss				
— Unlisted investment in the British Virgin Islands	—	—	20,333	20,333
— Unlisted investment in Chinese Mainland	—	—	17,689	17,689
— Unlisted investment in Hong Kong	—	—	3,607	3,607
— Listed securities in Hong Kong	4,740	—	—	4,740
	<u>4,740</u>	<u>—</u>	<u>41,629</u>	<u>46,369</u>
Total financial assets	<u>4,740</u>	<u>—</u>	<u>41,629</u>	<u>46,369</u>

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

	2024			Total HK\$'000
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 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 Chinese Mainland	—	—	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

There were no transfers of financial assets between the fair value hierarchy classifications during the year (2024: same).

There were no other changes in valuation techniques during the year (2024: 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

(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 2025:

	Financial asset at fair value through profit or loss				Total HK\$'000
	Unlisted investment in the USA HK\$'000	Unlisted investment in the British Virgin Islands HK\$'000	Unlisted investment in Chinese Mainland HK\$'000	Unlisted investment in Hong Kong HK\$'000	
As at 1 January 2025	7,780	18,516	13,070	2,519	41,885
Addition	—	—	2,825	1,051	3,876
Disposal	(10,052)	—	—	—	(10,052)
Fair value gains on revaluation recognised in the consolidated statement of profit or loss	2,272	1,817	1,794	37	5,920
As at 31 December 2025	—	20,333	17,689	3,607	41,629
Unrealised gains recognised in the consolidated statement of profit or loss attributable to balances held at the end of reporting period	—	1,817	1,794	37	3,648

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

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				Total HK\$'000
	Unlisted investment in the USA HK\$'000	Unlisted investment in the British Virgin Islands HK\$'000	Unlisted investment in Chinese Mainland HK\$'000	Unlisted investment in Hong Kong 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)

Unlisted investment in the USA

The unlisted investment in the United States of America (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. During the year, the Group disposed this investment at a consideration of US\$1,292,000, approximately HK\$10,052,000.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

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 gains/(losses) — net” in the consolidated statement of profit or loss.

Unlisted investment in Chinese Mainland

The unlisted investment in Chinese Mainland 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 Chinese Mainland (the “Chinese Mainland Fund”), which the Group executed on 15 December 2021. The contribution by the Group represents about 2.72% of the targeted contribution of the Chinese Mainland Fund. A partnership agreement was signed on 28 January 2022. The Chinese Mainland Fund is not traded in an active market. The Group considers the net asset value of the Chinese Mainland Fund approximates the fair value of the Chinese Mainland Fund. The fair value gains/losses are included in “other gains/(losses) — 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 gains/(losses) — net” in the consolidated statement of profit or loss.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

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 3.2(ii)(b).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

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

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

- (i) **Manufacturing Business:** The Group manufactures headwear products, bags and accessories for sale to its Trading Business as well as to external customers. The principal manufacturing facilities are located in Bangladesh, Mexico and Cambodia. Customers are mainly located in the USA and Europe.
- (ii) **Trading Business:** The trading and distribution of headwear, apparel, small leather goods, bags and accessories of the Group is operating through H3 Sportgear LLC ("H3"), San Diego Hat Company ("SDHC") and Aquarius Ltd ("AQ") which focus on the USA market; Drew Pearson International (Europe) Ltd. ("DPI Europe") and Difuzed B.V. ("Difuzed") which focus on the Europe market. Before October 2024, the Group also engaged in e-commerce business which mainly focus on the USA market.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

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

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

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

(i) Revenue from external customers

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

	2025	2024
	HK\$'000	HK\$'000
USA	1,339,090	1,243,322
Europe	329,393	202,007
Chinese Mainland and Hong Kong	7,975	9,544
Others	24,588	19,615
Total	1,701,046	1,474,488

During the year ended 31 December 2025, revenue derived from the Group's largest customer (who is a group of affiliated companies of a shareholder) amounted to HK\$745,115,000 or 43.8% of the Group's revenue (2024: HK\$644,444,000 or 43.7%). These revenues were attributable to the Manufacturing Business.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

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:

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

6. OTHER INCOME

	2025 HK\$'000	2024 HK\$'000
Rental income	28,571	28,997
Sundry income	1,694	1,729
	<u>30,265</u>	<u>30,726</u>

7. OTHER GAINS/(LOSSES) — NET

	2025 HK\$'000	2024 HK\$'000
Financial assets at fair value through profit or loss		
— fair value gains/(losses) (note 25)	6,444	(526)
Net foreign exchange losses	(139)	(1,764)
Fair value (losses)/gains on investment properties (note 16)	(983)	4,987
Gain on deregistration of subsidiaries (note)	—	4,663
Gain on investment in an insurance contract (note 23)	337	264
Loss on disposal of subsidiaries	—	(8,040)
Gain on derecognition of a lease	1,155	—
Others	—	149
	<u>6,814</u>	<u>(267)</u>

Note:

During the year ended 31 December 2024, the Group deregistered certain subsidiaries in Chinese Mainland, 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

8. EXPENSES BY NATURE

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

	2025 HK\$'000	2024 HK\$'000
Employee benefit expense (<i>note 10</i>)	436,822	397,971
Cost of materials and trading stock	718,359	637,238
Auditors' remuneration		
— Audit services (PwC)	2,870	2,870
— Audit services (Non-PwC)	2,100	2,245
— Non-audit services	137	117
Licence fees	35,188	13,471
Depreciation of property, plant and equipment (<i>note 15</i>)	62,096	54,580
Depreciation of right-of-use assets (<i>note 34</i>)	17,455	15,589
Amortisation of other intangible assets (<i>note 19</i>)	32,372	24,868
Short-term lease expenses (<i>note 34</i>)	11,711	7,403
Net provision for inventories (<i>note 21</i>)	19,916	13,499
Claim expenses	6,781	3,796
Advertising expenses	19,130	19,780
Delivery expenses	34,042	39,858
Others	161,492	152,037
	<hr/>	<hr/>
Total	1,560,471	1,385,322

9. FINANCE COSTS — NET

	2025 HK\$'000	2024 HK\$'000
Interest on bank loans and other borrowings	(9,168)	(10,780)
Interest on lease liabilities (<i>note 34</i>)	(1,824)	(1,393)
Interest accretion on licence fee payables	(2,410)	(2,493)
	<hr/>	<hr/>
Interest costs	(13,402)	(14,666)
Interest income	3,528	2,943
	<hr/>	<hr/>
Finance costs — net	(9,874)	(11,723)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

10. EMPLOYEE BENEFIT EXPENSE

	2025 HK\$'000	2024 HK\$'000
Employee remuneration (including directors' emoluments and retirement benefit costs)		
— Salaries and allowances	430,418	392,843
— Contribution to retirement scheme	6,404	5,128
	<u>436,822</u>	<u>397,971</u>

Five highest paid individuals

The five highest paid individuals included three (2024: three) directors whose emoluments are reflected in the analysis shown in note 38. The details of the emoluments of the remaining two (2024: two) highest paid individuals are as follows:

	2025 HK\$'000	2024 HK\$'000
Basic salaries, housing allowances, other allowances and benefits in kind	6,182	5,674
Contributions to retirement scheme	18	18
	<u>6,200</u>	<u>5,692</u>

The emoluments of these two (2024: two) employees are within the following bands:

	2025	2024
HK\$2,500,001 — HK\$3,000,000	1	2
HK\$3,000,001 — HK\$3,500,000	1	—
	<u>1</u>	<u>—</u>

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For the year ended 31 December 2025

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. During the year ended 31 December 2025, the Group disposed the investment accounted for using equity method with no consideration.

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

Set out below is the joint venture of the Group as at 31 December 2025 and 2024. 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	
		2025	2024			2025	2024
		%	%			HK\$'000	HK\$'000
Treasureland Group Limited	USA	—	50	Joint venture	Equity method	—	393

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.

	2025 HK\$'000	2024 HK\$'000
Carrying amount of the joint venture	—	393
Amount of the Group's share of loss from operation	(393)	(29)
Total comprehensive loss	—	(29)

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For the year ended 31 December 2025

12. INCOME TAX EXPENSE

	2025 HK\$'000	2024 HK\$'000
Current year		
— Hong Kong profits tax	1,441	—
— Overseas tax	40,469	34,087
	41,910	34,087
Under-provision in prior years		
— Hong Kong profits tax	—	1,520
	41,910	35,607
Deferred income tax (<i>note 20</i>)	(4,315)	3,813
	37,595	39,420

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

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:

	2025	2024
	HK\$'000	HK\$'000
Profit before income tax	163,797	101,252
Calculated at a taxation rate of 16.5% (2024: 16.5%)	27,026	16,706
Effect of different taxation rates in other jurisdiction	(22,965)	(14,795)
Expenses not deductible for tax purposes	9,105	9,637
Income not subject to tax	(1,668)	(1,994)
Tax losses for which no deferred income tax assets was recognised	26,262	28,346
Tax effect of concession tax rate	(165)	—
Under-provision in prior years	—	1,520
Income tax expense	37,595	39,420

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.

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

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For the year ended 31 December 2025

(b) Diluted

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

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

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

14. DIVIDENDS

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

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

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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 2024							
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	—	—	1,804	—	—	307	2,111
Disposal of subsidiaries	—	—	(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
Year ended 31 December 2025							
Net book amount at 1 January 2025	—	425,347	25,933	36,780	176,082	6,066	670,208
Additions	2,355	8,425	4,808	10,106	22,095	624	48,413
Depreciation	—	(20,396)	(10,252)	(2,895)	(26,470)	(2,083)	(62,096)
Disposals	—	—	(20)	—	(1,968)	(369)	(2,357)
Exchange differences	—	466	194	20	190	197	1,067
Closing net book amount	2,355	413,842	20,663	44,011	169,929	4,435	655,235
At 31 December 2025							
Cost	2,355	546,862	99,522	57,949	437,125	17,242	1,161,055
Accumulated depreciation and impairment	—	(133,020)	(78,859)	(13,938)	(267,196)	(12,807)	(505,820)
Net book amount	2,355	413,842	20,663	44,011	169,929	4,435	655,235

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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	2.56% 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 39(f) for the other accounting policies relevant to property, plant and equipment.

Depreciation expenses have been charged as below:

	2025	2024
	HK\$'000	HK\$'000
Cost of sales	47,384	45,170
Administration expenses	14,712	9,410
Total depreciation expenses	62,096	54,580

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 2025, 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 2025 (2024: same).

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16. INVESTMENT PROPERTIES

	2025 HK\$'000	2024 HK\$'000
At fair value		
Opening balance at 1 January	54,151	50,065
Net (losses)/gains from fair value adjustment	(983)	4,987
Exchange differences	1,112	(901)
	<u>54,280</u>	<u>54,151</u>

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

	2025 HK\$'000	2024 HK\$'000
Rental income	5,857	6,038
Direct operating expenses arising from investment property that generated rental income	(1,856)	(2,132)

The period of leases whereby the Group leases out its investment properties under operating leases ranged from 2 to 12 years (2024: 1 to 6 years).

At 31 December 2025 and 2024, the future aggregate minimum rentals receivables under non-cancellable operating leases are as follows:

	2025 HK\$'000	2024 HK\$'000
No later than 1 year	5,057	6,429
Between 1 and 2 years	4,496	5,824
Between 2 and 3 years	3,561	5,619
Between 3 and 4 years	3,561	—
Between 4 and 5 years	3,561	—
Later than 5 years	10,683	—
	<u>30,919</u>	<u>17,872</u>

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 gains/(losses) – 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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For the year ended 31 December 2025

- 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. For the year ended 31 December 2025, there were no transfers between levels 1 and 2 for recurring fair value measurements while there is a transfer into level 3 measurements. There were no transfers among levels 1, 2 and 3 during the year ended 31 December 2024.

Description	Fair value measurements at 31 December 2025 using			Total HK\$'000
	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	
Investment properties:				
Factory premises in Chinese Mainland	—	—	18,465	18,465
Residential building units in Chinese Mainland	—	—	5,940	5,940
Residential building units in the USA	—	—	29,875	29,875
	<u>—</u>	<u>—</u>	<u>54,280</u>	<u>54,280</u>
	Fair value measurements at 31 December 2024 using			Total HK\$'000
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	
Investment properties:				
Factory premises in Chinese Mainland	—	—	20,539	20,539
Residential building units in the Chinese Mainland	—	5,682	—	5,682
Residential building units in the USA	—	27,930	—	27,930
	<u>—</u>	<u>33,612</u>	<u>20,539</u>	<u>54,151</u>

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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.

The valuation of the residential building units in the USA and Chinese Mainland was determined using the sales comparison approach. Sales prices of comparable properties in close proximity are adjusted for differences in key attributes such as age, condition, bid prices and other relevant factors. The most significant observable input into this valuation approach is the sales price of the comparable properties. Given the decrease in market transactions during the year, significant unobservable inputs were incorporated into the valuation approach. Accordingly, the fair value measurement was transferred from level 2 to level 3 during the year ended 31 December 2025.

The valuation of the factory premises in Chinese Mainland was determined using the income approach. This valuation method is based on the capitalisation of the net income and reversionary income potential by adopting appropriate yields.

The following table presents the changes in level 3 items for the year ended 31 December 2025:

	2025 HK\$'000
Opening balance at 1 January	20,539
Net (losses)/gains from fair value adjustment	(983)
Exchange difference	1,112
Transfer from level 2	33,612
	<hr/>
Closing balance at 31 December	54,280

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The following table summarises the quantitative information about the significant unobservable inputs used in recurring level 3 fair value measurements and how a reasonable change in the input would affect the value:

Description	Fair values at 31 December 2025	Valuation technique	Unobservable inputs	Range of unobservable inputs (probability-weighted average)	Relationship of unobservable inputs to fair value
Factory premises in Chinese Mainland	HK\$18,465,000 (RMB16,600,000)	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	7%	The higher the yield, the lower the fair value
			Market yield	8%	The higher the yield, the lower the fair value
Residential building units in Chinese Mainland	HK\$5,940,000 (RMB5,340,000)	Sales comparison approach	Age of property	10%	The older the property, the lower the fair value
			Bid price adjustment	10%	The higher the bid price adjustment, the lower the fair value
Residential building units in the USA	HK\$29,875,000 (USD3,840,000)	Sales comparison approach	Condition of property	15-20%	The better condition of the property, the higher the fair value
Description	Fair values at 31 December 2024	Valuation technique	Unobservable inputs	Range of unobservable inputs (probability-weighted average)	Relationship of unobservable inputs to fair value
Factory premises in Chinese Mainland	HK\$20,539,000 (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

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17. SUBSIDIARIES

The following is a list of the principal subsidiaries at 31 December 2025 and 2024:

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		Principal activities
				2025	2024	
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%	55%	Trading of headwear, apparel and accessories
Drew Pearson International (Europe) Ltd.	The United Kingdom	The United Kingdom	£10,000 ordinary	100%	100%	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 Islands	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.	Chinese Mainland (note b)	Chinese Mainland	£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%	95.5%	Trading of headwear, apparel and accessories
Mainland (Cambodia) Manufacturing Co., Ltd.	Cambodia	Cambodia	US\$5,000,000 ordinary	100%	—	Manufacturing and sales of headwear, bags 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 2025	Interest held by the Group 2024	Principal activities
Rich Trend Trading Limited (note a)	Hong Kong	Hong Kong	HK\$1	70%	70%	Trading of accessories
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 and manufacturing of headwear
Top Super Sports (Shenzhen) Ltd.	Chinese Mainland (note b)	Chinese Mainland	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.	Chinese Mainland (note b)	Chinese Mainland	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 Chinese Mainland in the form of wholly foreign-owned enterprises.

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

	2025 HK\$'000	2024 HK\$'000
Opening net book amount	30,856	—
Addition	—	33,094
Exchange difference	4,209	(2,238)
	<u>35,065</u>	<u>30,856</u>
Closing net book amount	35,065	30,856
Cost	33,094	33,094
Exchange difference	1,971	(2,238)
	<u>35,065</u>	<u>30,856</u>
Net book amount	35,065	30,856

Pursuant to an agreement signed on 5 August 2024 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 approximately HK\$43,124,000), a goodwill of EUR3,094,000 was recognised.

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. The relevant goodwill is allocated in Difuzed, which represent the lowest level within the Group at which the relevant goodwill is monitored for internal management purposes, and not larger than an operating segment.

The recoverable amount of the CGU is 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 CGU operates.

Impairment test for goodwill of Difuzed

The key assumptions are as follows:

	2025	2024
Pre-tax discount rate	17.60%	16.39%
Compound sales annual growth rate	17.74%	18.33%
Terminal growth rate	2.0%	1.9%

The recoverable amount of Difuzed exceeded its carrying value as at 31 December 2025 by EUR1.6 million (2024: EUR3.0 million). An increase in pre-tax discount rate by 2.3% (2024: 2.5%), or a decrease in compound sales annual growth rate by 1.2% (2024: 0.2%), would remove the remaining headroom for Difuzed.

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19. OTHER INTANGIBLE ASSETS

	Trademarks HK\$'000	Licensing rights HK\$'000	Acquired customer relationship HK\$'000	Acquired supplier relationship HK\$'000	Total HK\$'000
At 1 January 2024					
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	—	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
Year ended 31 December 2025					
Opening net book amount	—	34,687	—	40,693	75,380
Additions	—	29,369	—	—	29,369
Amortisation	—	(20,861)	—	(11,511)	(32,372)
Exchange differences	—	147	—	5,102	5,249
Closing net book amount	—	43,342	—	34,284	77,626
At 31 December 2025					
Cost	6,495	82,862	15,130	47,839	152,326
Accumulated amortisation	(6,495)	(39,520)	(15,130)	(13,555)	(74,700)
Net book amount	—	43,342	—	34,284	77,626

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Accounting policies of other intangible assets

Contractual customer, supplier relationships, trademarks and licensing rights acquired in a business combination are recognised at fair values at the acquisition date.

Separately acquired trademarks and licensing rights are shown at historical cost.

These intangible assets 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	
	2025 HK\$'000	2024 HK\$'000	2025 HK\$'000	2024 HK\$'000
Net revaluation surplus on investment properties	—	—	(6,383)	(6,461)
Right-of-use assets	—	—	(8,973)	(9,667)
Intangible assets	—	—	(8,931)	(10,499)
Lease liabilities	10,158	10,627	—	—
Tax loss	—	47	—	—
Others	3,084	2,164	(14,587)	(14,587)
Deferred income tax assets/ (liabilities), gross	13,242	12,838	(38,874)	(41,214)
Set-off deferred tax (liabilities)/ assets	(8,973)	(9,667)	8,973	9,667
Deferred income tax assets/ (liabilities), net	4,269	3,171	(29,901)	(31,547)

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The movements in deferred income tax assets and liabilities during the year are as follows:

Deferred income tax assets/(liabilities)	Assets				Liabilities						Total 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	
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 (Charged)/credited to the consolidated statement of profit or loss	—	—	—	—	—	—	—	(11,648)	—	(11,648)	(11,648)
Exchange differences	(2,634)	(933)	(2,681)	(6,248)	(1,247)	2,651	—	377	654	2,435	(3,813)
	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)
At 1 January 2025	10,627	47	2,164	12,838	(6,461)	(9,667)	(14,587)	(10,499)	—	(41,214)	(28,376)
(Charged)/credited to the consolidated statement of profit or loss	(521)	(47)	912	344	246	720	—	3,005	—	3,971	4,315
Exchange differences	52	—	8	60	(168)	(26)	—	(1,437)	—	(1,631)	(1,571)
At 31 December 2025	10,158	—	3,084	13,242	(6,383)	(8,973)	(14,587)	(8,931)	—	(38,874)	(25,632)
Set-off deferred tax (liabilities)/ assets	(8,973)	—	—	(8,973)	—	8,973	—	—	—	8,973	—
At 31 December 2025, net	1,185	—	3,084	4,269	(6,383)	—	(14,587)	(8,931)	—	(29,901)	(25,632)

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 2025 (2024: same).

Deferred income tax assets are recognised for tax losses carried forward to the extent that realisation of the related tax benefit through the future taxation profits is probable. The Group has unrecognised tax losses of approximately HK\$536,464,000 as at 31 December 2025 (2024: HK\$418,467,000) to offset against future taxable income. These tax losses expire in the following years:

	2025 HK\$'000	2024 HK\$'000
In the first to fifth years inclusive	61,557	43,497
In the sixth to tenth years inclusive	43,533	20,255
Above ten years	65,394	65,394
No expiry date	365,980	289,321
	536,464	418,467

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For the year ended 31 December 2025

Accounting policies of deferred income tax

Deferred income tax is provided, 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 substantively 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 except for the properties located in Chinese Mainland.

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.

21. INVENTORIES

	2025	2024
	HK\$'000	HK\$'000
Raw materials	170,867	131,832
Work-in-progress	21,425	21,478
Finished goods	8,817	17,883
Trading stocks	197,986	224,574
	399,095	395,767

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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\$1,174,805,000 (2024: HK\$1,019,006,000).

Provision for inventories of HK\$19,916,000 has been recognised to cost of sales (2024: HK\$13,499,000). As at 31 December 2025, the provision for inventories amounted to HK\$63,189,000 (2024: HK\$56,490,000).

Accounting policies of inventories

Raw materials, work in progress and finished goods are stated at the lower of cost and net realisable 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.

22. TRADE RECEIVABLES AND OTHER FINANCIAL ASSETS AT AMORTISED COST

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

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

The carrying amounts approximate their fair values.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

- (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:

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

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.

- (b) **Impairment and risk exposure**

Trade receivables

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

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

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

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

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Accounting policies of impairment on trade receivables

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

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

Other financial assets at amortised cost

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

Note 3.2(ii)(b) sets out information about the impairment of other financial assets at amortised cost and the Group's exposure to credit risk.

23. OTHER NON-CURRENT ASSETS

	2025	2024
	HK\$'000	HK\$'000
Investment in an insurance contract	7,287	7,145
Others	1,441	102
	8,728	7,247

During the year ended 31 December 2025, the Group has an investment in life insurance contract with the initial payment of HK\$10,780,000 (2024: same), and cash surrender value of HK\$7,287,000 as at 31 December 2025 (2024: HK\$7,145,000). The gain on investment in an insurance contract of HK\$337,000 (2024: HK\$264,000) has been recognised in the consolidated statement of profit or loss for the year ended 31 December 2025.

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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

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

25. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets at fair value through profit or loss

As at 31 December 2025 and 2024, the Group's financial assets at FVPL represent investments in listed securities and unlisted investments. The financial assets measured at FVPL are with the following details:

	2025 HK\$'000	2024 HK\$'000
At 1 January	46,101	46,452
Additions	3,876	1,050
Distribution	—	(875)
Fair value gains/(losses) on revaluation recognised in consolidated statement of profit or loss	6,444	(526)
Disposal of investment in the USA	(10,052)	—
	<u>46,369</u>	<u>46,101</u>
Non-current		
Unlisted investment in the USA	—	7,780
Unlisted investment in the British Virgin Islands	20,333	18,516
Unlisted investment in Chinese Mainland	17,689	13,070
Unlisted investment in Hong Kong	3,607	2,519
	<u>41,629</u>	<u>41,885</u>
Current		
Listed securities in Hong Kong	4,740	4,216
	<u>46,369</u>	<u>46,101</u>

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For the year ended 31 December 2025

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

	2025	2024
	HK\$'000	HK\$'000
US\$	23,940	28,815
HK\$	4,740	4,216
RMB	17,689	13,070
	46,369	46,101

26. SHORT TERM DEPOSITS AND CASH AND CASH EQUIVALENTS

	2025	2024
	HK\$'000	HK\$'000
Cash at bank and on hand	168,446	179,638
Time deposits with original maturity date over 3 months	5,762	12,155
	174,208	191,793

Funds of the Group amounting to HK\$30,563,000 (2024: HK\$32,104,000) and HK\$13,999,000 (2024: HK\$15,431,000) are kept in the bank accounts opened with banks in Chinese Mainland 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 2024, 31 December 2024, 1 January 2025 and 31 December 2025	1,000,000,000	100,000
Issued and fully paid:		
At 1 January 2024, 31 December 2024, 1 January 2025 and 31 December 2025	429,164,448	42,916

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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. During 2025, 9,004,500 Options were lapsed (2024: none). At 31 December 2025, there were 19,340,500 (2024: 28,345,000) outstanding Options with 19,340,500 (2024: 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 2025 and 2024, no share option was granted under the Share Option Scheme.

The exercise price of the options is the highest of the nominal value of the shares, the closing price of the shares on the Stock Exchange on the date of offer of the options and the average closing price of the shares on the Stock Exchange for the five trading days immediately preceding the date of offer of the options.

Movements in 2011 Former Share Option Scheme

	2025		2024	
	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	28,345,000	1.335
Lapsed	(9,004,500)	1.066	—	—
At 31 December	19,340,500	1.460	28,345,000	1.335
Options vested at 31 December	19,340,500	1.460	28,345,000	1.335

At the end of the reporting period, the options have a weighted average contractual terms of 1.3 years (2024: 1.7 years).

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For the year ended 31 December 2025

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

Expiry date	Exercise price HK\$	Number of share options	
		2025	2024
14 July 2025	1.066	—	9,004,500
12 April 2027	1.460	19,340,500	19,340,500
		19,340,500	28,345,000

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

During the year ended 31 December 2025, no share option was exercised (2024: same). As at 31 December 2025, out of the total 19,340,500 (2024: 28,345,000) outstanding options, 19,340,500 options (2024: 28,345,000) are exercisable.

Under the share option schemes, no (2024: same) share-based payment expense has been included in the consolidated statement of profit or loss for 2025 and no (2024: same) corresponding amount has been credited to share based compensation reserve.

29. TRADE AND OTHER PAYABLES

	2025 HK\$'000	2024 HK\$'000
Trade payables	218,653	188,009
Other payables		
Accrued salaries and other employee benefits	60,170	56,892
Licensing rights payable	62,771	60,875
Others	96,101	122,814
	437,695	428,590
Less: other non-current payables	(38,375)	(26,394)
Current portion	399,320	402,196

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

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

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Contract liabilities are recognised when a customer pays consideration, or is contractually required to pay consideration and the amounts are already due, before the Group recognised the related revenue. The Group expects to deliver the goods to satisfy the remaining performance obligation of these contract liabilities within one year or less. No contract liabilities were recognised as at 31 December 2025 (2024: HK\$537,000).

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

30. AMOUNT DUE TO A NON-CONTROLLING INTEREST

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

31. BORROWINGS

	2025 HK\$'000	2024 HK\$'000
Bank borrowings	140,353	184,814
Other borrowings	—	14,665
	<u>140,353</u>	<u>199,479</u>

As at 31 December 2025, bank borrowings of HK\$140,353,000 (2024: HK\$184,814,000), were guaranteed by the Company and subsidiaries of the Company.

The bank borrowings would mature from 1 to 5 years with demand clause (2024: same). The weighted average effective interest rate per annum for borrowings was 4.02% (2024: 5.15%). The carrying amounts of the borrowings approximate their fair values.

Based on the scheduled repayment terms set out in the loan agreements the maturity of borrowings would be as follows;

	2025 HK\$'000	2024 HK\$'000
Within 1 year	85,351	131,906
Between 1 and 2 years	30,071	29,446
Between 2 and 5 years	24,931	38,127
	<u>140,353</u>	<u>199,479</u>

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

Other borrowings represent borrowing from an affiliated company of New Era Cap Hong Kong LLC (“NEHK”), a shareholder of the Company. As at 31 December 2024, US\$960,000 (HK\$7,469,000) was unsecured and interest bearing at 8% per annum, while US\$925,000 (HK\$7,196,000) was unsecured and interest bearing at 7% per annum, and repayable by 7 February 2025 and 19 December 2025, respectively. The other borrowings were fully repaid during the year ended 31 December 2025.

The Group has complied with the financial covenants of its bank borrowing facilities during the 2025 and 2024 reporting period.

32. NOTES TO CONSOLIDATED CASH FLOW STATEMENT

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

	2025 HK\$'000	2024 HK\$'000
Profit before income tax	163,797	101,252
Finance income	(3,528)	(2,943)
Finance costs	13,402	14,666
Gains on investment in an insurance contract	(337)	(264)
Fair value (gains)/losses on financial assets at fair value through profit or loss	(6,444)	526
Fair value losses/(gains) on investment properties	983	(4,987)
Depreciation of property, plant and equipment	62,096	54,580
Depreciation of right-of-use assets	17,455	15,589
Amortisation of other intangible assets	32,372	24,868
Net provision for inventories	19,916	13,499
Net impairment losses on financial assets	3,590	6,621
Gain on deregistration of subsidiaries	—	(4,663)
Loss on disposal of subsidiaries	—	8,040
Gain on derecognition of lease	(1,155)	—
Net foreign exchange losses	139	1,764
Share of loss from an investment accounted for using equity method	393	29
Changes in working capital:		
Inventories	(22,456)	(21,230)
Trade receivables and other financial assets at amortised cost	(56,960)	(32,927)
Other current assets	(7,006)	7,655
Trade and other payables	4,289	24,973
Cash generated from operations	220,546	207,048

Notes to the Consolidated Financial Statements

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

	2025 HK\$'000	2024 HK\$'000
Net book amount (<i>note 15</i>)	2,357	26
Gain on disposal of property, plant and equipment	—	—
	<u>2,357</u>	<u>26</u>
Proceeds from disposal of property, plant and equipment	<u>2,357</u>	<u>26</u>

(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 2024	160,703	54,770	—	215,473
Additions of lease (<i>note 34</i>)	—	1,205	—	1,205
Termination of lease	—	(1,505)	—	(1,505)
Acquisition of a subsidiary	15,447	22,367	—	37,814
Dividend declared and approved	—	—	38,627	38,627
Cash flows	23,329	(15,047)	(38,627)	(30,345)
Exchange difference	—	(1,497)	—	(1,497)
As at 31 December 2024	<u>199,479</u>	<u>60,293</u>	<u>—</u>	<u>259,772</u>
As at 1 January 2025	199,479	60,293	—	259,772
Additions of lease (<i>note 34</i>)	—	7,696	—	7,696
Derecognition of lease	—	(4,019)	—	(4,019)
Interest expenses	—	1,824	—	1,824
Dividend declared and approved	—	—	34,333	34,333
Cash flows	(59,126)	(18,935)	(34,333)	(112,394)
Exchange difference	—	1,780	—	1,780
As at 31 December 2025	<u>140,353</u>	<u>48,639</u>	<u>—</u>	<u>188,992</u>

(d) Major non-cash transactions

During the year ended 31 December 2025, the Group had non-cash additions to other intangible assets amounting to HK\$4,677,000.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

33. COMMITMENTS

(a) Capital commitment

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

	2025	2024
	HK\$'000	HK\$'000
Contracted but not provided for	27,137	10,307

The above commitment for the year ended 31 December 2025 represents capital expenditure commitment relating to acquisition of machineries and a piece of land. (2024: construction of a dormitory building, renovation of a warehouse and upgrade in IT system).

(b) Other commitment

On 15 December 2021, the Group executed a capital contribution agreement in relation to a contribution of RMB30 million (approximately HK\$31.9 million) to a limited partnership established in Chinese Mainland (the "Fund"), with a partnership agreement was signed for the purpose of the establishment of the partnership on 28 January 2022. The contribution by the Group represents about 2.7% of the targeted contribution of the Fund. During the year ended 31 December 2025, a capital contribution of RMB2.6 million (approximately HK\$2.8 million) (2024: nil) was made. The Group has a commitment of RMB15.3 million (approximately HK\$17.0 million) as at 31 December 2025 (2024: RMB17.9 million (approximately HK\$19.0 million)).

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 2.1% of the targeted contribution of the Hong Kong Fund. During the year ended 31 December 2025, a capital contribution of US\$135,000 (approximately HK\$1,050,000) (2024: US\$0.1 million (approximately HK\$0.8 million)) was made. The Group has no commitment as at 31 December 2025 (2024: US\$0.1 million (approximately HK\$0.8 million)).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

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:

	2025 HK\$'000	2024 HK\$'000
Right-of-use assets		
Properties	<u>44,708</u>	<u>55,628</u>
Lease liabilities		
Non-current	31,286	45,911
Current	<u>17,353</u>	<u>14,382</u>
	<u>48,639</u>	<u>60,293</u>

Additions of right-of-use assets during the year ended 31 December 2025 were HK\$7,696,000 (2024: HK\$1,205,000).

(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:

	2025 HK\$'000	2024 HK\$'000
Depreciation charge of right-of-use assets		
– Properties	<u>17,455</u>	<u>15,589</u>
Interest expenses (included in finance costs)	1,824	1,393
Expenses relating to short-term leases	<u>11,711</u>	<u>7,403</u>
Depreciation expenses have been charged as below:		
Cost of sales	1,374	2,163
Selling and distribution costs	3,062	2,938
Administration expenses	<u>13,019</u>	<u>10,488</u>
	<u>17,455</u>	<u>15,589</u>

The total cash outflow for leases during the year ended 31 December 2025 is HK\$30,646,000 (2024: HK\$22,450,000).

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For the year ended 31 December 2025

(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.

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 39(w) for the other accounting policies relevant to leases.

35. 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

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(a) Sale and purchase of goods and services

	Note	2025 HK\$'000	2024 HK\$'000
Sales of goods to affiliated companies of a shareholder	(i)	745,115	644,444
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)	4,310	1,369
Claim charges paid to affiliated companies of a shareholder	(iii)	1,246	814
Interest on borrowings from an affiliated company of a shareholder	(iv)	581	2,939

(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 2025. 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\$561,000 in relation to the leased premises respectively. The carrying amount of the right-of-use assets and lease liabilities as at 31 December 2025 are HK\$420,000 and HK\$428,000 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 2025 are HK\$6,550,000 and HK\$6,759,000 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 2025

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

	2025	2024
	HK\$'000	HK\$'000
Trade receivables from affiliated companies of a shareholder	196,792	185,370

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

(c) Year-end balances arising from borrowing

	2025	2024
	HK\$'000	HK\$'000
Borrowings from an affiliated company of a shareholder (<i>note 31</i>)	—	14,665

(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 38 and certain of the highest paid employees as disclosed in note 10, is as follows:

	2025	2024
	HK\$'000	HK\$'000
Short-term employee benefits	45,931	37,944
Retirement scheme contributions	148	151
	46,079	38,095

36. CONTINGENT LIABILITIES

As at 31 December 2025 and 2024, the Group had no contingent liabilities.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

37. BALANCE SHEET AND RESERVE OF THE COMPANY

	Note	2025 HK\$'000	2024 HK\$'000
ASSETS			
Non-current assets			
Interests in subsidiaries		1,038,446	979,437
Financial assets at fair value through profit or loss		23,940	21,035
		<u>1,062,386</u>	<u>1,000,472</u>
Current assets			
Other current assets		326	322
Cash and cash equivalents		6,770	7,371
		<u>7,096</u>	<u>7,693</u>
Total assets		<u>1,069,482</u>	<u>1,008,165</u>
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital		42,916	42,916
Other reserves	(a)	277,575	278,687
Retained earnings	(a)	744,765	682,276
		<u>1,065,256</u>	<u>1,003,879</u>
LIABILITIES			
Current liabilities			
Trade and other payables		4,226	4,286
		<u>4,226</u>	<u>4,286</u>
Total equity and liabilities		<u>1,069,482</u>	<u>1,008,165</u>

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

Note (a) Reserve movement of the Company

	Share premium	Contributed surplus	Share based compensation reserve	Retained earnings	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
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	<u>169,606</u>	<u>99,431</u>	<u>9,650</u>	<u>682,276</u>	<u>960,963</u>
At 1 January 2025	169,606	99,431	9,650	682,276	960,963
Profit for the year	—	—	—	95,710	95,710
Share options scheme:					
— Share options lapsed	—	—	(1,112)	1,112	—
2024 final dividend paid	—	—	—	(21,458)	(21,458)
2025 interim dividend paid	—	—	—	(12,875)	(12,875)
At 31 December 2025	<u>169,606</u>	<u>99,431</u>	<u>8,538</u>	<u>744,765</u>	<u>1,022,340</u>

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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For the year ended 31 December 2025

38. 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 2025

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 2025							
	Fees	Salaries	Discretionary	Housing	Estimated	Employer's	Total
	HK\$'000	HK\$'000	bonus	allowances	monetary	contributions	
			HK\$'000	HK\$'000	value of other	to a retirement	
					benefits	benefit scheme	
					(Note (a))	HK\$'000	HK\$'000
					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	2,070	—	1,104	—	18	3,312
Mr. Lai Man Sing	120	1,301	—	—	—	7	1,428
*Mr. Andrew Ngan	120	780	—	—	—	18	918
Mr. Gordon Ng	180	—	—	—	—	—	180
Mr. Cheung Tei Sing, Jamie	180	—	—	—	—	—	180
Mr. Li Yinquan	180	—	—	—	—	—	180
Total	1,260	8,441	6,311	2,544	—	79	18,635

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For the year ended 31 December 2025

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

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 2025 and 2024.

(b) Directors' retirement benefits and termination benefits

None of the directors received or will receive any retirement benefits or termination benefits during the year (2024: 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 (2024: Nil).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

(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 (2024: 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 35 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.

39. 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

(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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

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 39(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

For the year ended 31 December 2025

(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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

(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 gains/(losses) — 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 2025

(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.

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(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 39(i)).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "other gains/(losses) — 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.

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(g) Investment properties

Properties that are held for long-term rental yields or for capital appreciation or both, and that are not occupied by or for the Group's own activities is classified as investment properties. All leases that meet the definition of investment properties are classified as investment properties and measured at fair value.

Investment properties are measured initially at its cost, including related transaction costs and where applicable borrowing costs. Investment properties that are obtained through a lease are measured initially at the lease liability amount adjusted for any lease payments made at or before the commencement date (less any lease incentives received), any initial direct costs incurred by the Group, and an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease. After initial recognition, investment properties are carried at fair value.

Fair value is based on active market prices, adjusted, if necessary, for differences in the nature, location or condition of the specific asset. If this information is not available, the Group uses alternative valuation methods, such as recent prices on less active markets or discounted cash flow projections. Valuations are performed as at the financial position date by professional valuers who hold recognised and relevant professional qualifications and have recent experience in the location and category of the investment properties being valued. These valuations form the basis for the carrying amounts in the consolidated financial statements.

The fair value of investment properties reflects, among other things, rental income from current leases and other assumptions market participants would make when pricing the properties under current market conditions.

Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed when incurred. When part of an investment properties is replaced, the cost of the replacement is included in the carrying amount of the properties and the fair value is reassessed.

Changes in fair values are recognised in the consolidated statement of profit or loss. Investment properties are derecognised when they have been disposed of. Where the Group disposes of a property at fair value in an arm's length transaction, the carrying value immediately prior to the sale is adjusted to the transaction price and the adjustment is recorded in the consolidated statement of profit or loss within net gain from fair value adjustment on investment properties.

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If an investment property becomes owner-occupied, it is reclassified as properties, plant and equipment. Its fair value as at the date of reclassification becomes its cost for subsequent accounting purposes.

If an item of owner-occupied properties becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this item as at the date of transfer is treated in the same way as a revaluation under HKAS 16 'Property, Plant and Equipment'. Any resulting increase in the carrying amount of the properties is recognised in the consolidated statement of profit or loss to the extent that it reverses a previous impairment loss, with any remaining increase recognised in other comprehensive income and increased directly to equity in revaluation surplus within equity. Any resulting decrease in the carrying amount of the properties is initially charged in other comprehensive income against any previously recognised revaluation surplus, with any remaining decrease charged to the consolidated statement of profit or loss.

Where an investment property undergoes a change in use, such as commencement of development with a view to sell, the properties is transferred to inventories. A property's deemed cost for subsequent accounting as inventories is its fair value at the date of change in use.

(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.

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(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.

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(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.

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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 gains/(losses) — 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.

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(m) 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.

(n) 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.

(o) 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 2025

(p) 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.

(q) 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.

(r) 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 2025

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.

(s) 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 administered 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

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 Chinese Mainland, 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 Chinese Mainland. 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

For the year ended 31 December 2025

(t) 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.

(u) 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 2025

(v) 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.

(w) 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.

(x) 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				
	2021	2022	2023	2024	2025
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue	1,600,255	1,874,424	1,418,994	1,474,488	1,701,046
Gross profit	479,224	637,296	476,364	455,482	526,241
Profit before income tax	173,113	250,861	177,177	101,252	163,797
Profit for the year	<u>137,211</u>	<u>213,307</u>	<u>127,808</u>	<u>61,832</u>	<u>126,202</u>
Profit for the year attributable to:					
Owners of the Company	128,076	195,390	117,949	57,074	118,468
Non-controlling interests	9,135	17,917	9,859	4,758	7,734
Basic earnings per share (HK cents)	30.1*	45.9	27.6	13.30	27.6
Dividends	<u>24,320</u>	<u>37,106</u>	<u>38,624</u>	<u>34,335</u>	<u>38,625</u>
Assets and liabilities					
	As at 31 December				
	2021	2022	2023	2024	2025
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Non-current assets	598,273	697,091	725,022	940,361	924,093
Current assets	1,071,247	1,261,223	1,061,581	1,004,505	1,073,674
Current liabilities	(716,948)	(795,694)	(549,000)	(661,725)	(614,161)
Net current assets	354,299	465,529	512,581	342,780	459,513
Non-current liabilities	(50,451)	(93,639)	(76,420)	(103,852)	(99,562)
Net assets	<u>902,121</u>	<u>1,068,981</u>	<u>1,161,183</u>	<u>1,179,289</u>	<u>1,284,044</u>

* Adjusted for the bonus issue 2022

Notes: The information of the financial summary for two years ended 31 December 2025 and 2024 have been extracted from the audited consolidated statement of profit or loss and consolidated balance sheet which are set out on page 93 to page 97 of the annual report.