



STRATEGIC FINANCIAL RELATIONS LIMITED
縱橫財經公關顧問有限公司

Immediate Release



MAINLAND HEADWEAR HOLDINGS LIMITED

飛達帽業控股有限公司*

(Incorporated in Bermuda with limited liability)

Mainland Headwear's Net Profit for 2021 Soars 1.8 Times to HK\$128.1 Million

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Final Dividend 4 HK Cents Per Share

Special Dividend 2 HK Cents Per Share

Bonus Issue of 1 New Share for Every 20 Shares Held Proposed

Increased Production Capacity Supports Sales Volume Rise

Pushes Bangladesh Plant on Expanding Output

(28 March 2022, Hong Kong) **Mainland Headwear Holdings Limited** (“Mainland Headwear” or the “Group”) (HKEX: 1100), a renowned designer, producer and distributor of headwear and accessories, has today announced its annual results for the year ended 31 December 2021 (the “Year”)

During the Year, the Group recorded significant growth in revenue and net profit. Revenue surged by 52.7% to HK\$1,600,255,000 (2020: HK\$1,048,006,000). Gross profit rose appreciably by 50.4% to HK\$479,224,000 (2020: HK\$318,689,000) and the gross profit margin was 29.9% (2020: 30.4%). Profit attributable to shareholders rocketed 179.1% to HK\$128,076,000 (2020: HK\$45,895,000), thanks to the increased production capacity of the Bangladesh manufacturing operations and the manufacturing and trading business segments achieving higher sales volume.

The Board has resolved to recommend a final dividend of 4 HK cents per share (2020: 3 HK cents). Given the Group's positive development and good profit in tough time, the Board has recommended the payment of a special dividend of 2 HK cents per share. The Directors also propose to make a bonus issue of one new share of HK\$0.10 each credited as fully paid for every twenty shares held. Together with an interim dividend of 3 HK cents per share (2020 Interim: 2 HK cents), the total dividend for the year amounted to 9 HK cents (2020: 5 HK cents).

Mr Ngan Hei Keung, Chairman of Mainland Headwear, said, “Although the COVID-19 pandemic continues to rage around the world, economic activities in the US and the UK are gradually returning to normal. The majority of the Group's customers are gradually adapting to the new normal of the late-pandemic era, and all major sports seasons have resumed.

* For identification purpose only

Exceling in its ability to put out products fast, plus the Bangladesh factory having enhanced production capacity, the Group has promptly responded and met customers' needs. That together with the trading business boasting an extensive product portfolio of its own brands and licensed products, Mainland Headwear was able to seize opportunities in the recovering market during the year, allowing its manufacturing and trading businesses to achieve significant sales growth.”

Manufacturing: Revenue surged 58.2% due to strong fast order demand and support from Bangladesh factory with increased production capacity

Revenue from the Manufacturing Business surged by 58.2% to HK\$844,256,000 (2020: HK\$533,728,000). The increase was mainly due to the rapid rebound in customer purchases, supported by the increased production capacity of its Bangladesh factory. Surging demand, reinforced by the increasing proportion of fast orders, resulted in the segment's operating profit doubling to HK\$174,981,000 (2020: HK\$87,625,000).

To meet the strong demand for fast orders with short production cycles, the Group not only actively stepped up the efficiency of its Bangladesh factory by implementing a higher level of automation and optimising its management, but also resumed recruitment. Furthermore, the Group worked closely with customers to make necessary adjustments to delivery schedules. These efforts proved effective, as the retail customers that the Group had established strong business ties with placed more orders once their business had picked up. The Manufacturing Business contributed around 52.8% of the Group's total revenue.

Trading: Sales of trading subsidiaries grew notably driving revenue leap of 47.0%

Revenue from the Trading Business increased by 47.0% to HK\$755,999,000 (2020: HK\$514,278,000). The surge was mainly attributable to significant sales growth in the Group's trading subsidiaries in the US and the UK, where the economies rebounded and consumer confidence recovered following the easing of pandemic restrictions. The Trading Business accounted for 47.2% of the Group's total revenue.

In an effort to capture opportunities amid the market consolidation, the Group expanded its portfolio of licensed brands to propel the growth of the Trading Business. The investments in licensing, combined with the escalating transportation costs driven by logistics disruptions caused by insufficient shipping capacity amid the pandemic led to a sharp increase in cost of sales. The headwinds resulting from supply chain disruptions weighed heavily on the performance of the e-commerce unit. In the face of port congestion and a shortage of containers, the unit experienced substantial delays in seasonal categories. As a result, the operating loss of this segment amounted to HK\$11,617,000 (2020 operating loss: HK\$21,984,000).

Prospects: To optimise both capacity for meeting strong orders demand and product mix to drive continuous sales volume growth

Looking ahead, European economies have enjoyed a strong recovery on the back of the rapid pace of vaccine rollouts and reduced restrictions on mobility and activity. The US, meanwhile, has launched one of the largest economic stimulus packages in its history to

stabilise the economy through the pandemic, and, as a result, consumer demand and business confidence has remained at a high level. The resumption of all major sports seasons has also given rise to a new optimism in our markets.

To meet the keen demand from customers, the Group will continue to improve deployment of production capacity to enhance efficiency. In Bangladesh, the Group has pushed forward with an expansion plan involving building a new production facility and relocating a warehouse. The existing warehouse at the plant now will be moved to a nearby plot of land the Group acquired in the previous year and the new production facility will be built on the original warehouse site. The new facility is expected to commence operation by the first half of 2023 and will enlarge the Group's production capacity by 20%.

The Group is mindful of shortages and the soaring prices of raw materials, and the rising freight costs and tightening of transportation capacity. To this end, the management is gradually implementing a local sourcing strategy in order to mitigate the impact of rising freight costs and save warehousing expenses, as well as reduce supply risks.

For the Trading Business, the Group expects the satisfactory growth experienced by its trading subsidiaries in the US and the UK to continue as they further benefit from the permanent shift to online shopping and gradual market recovery.

To improve resource allocation and operational efficiency, the Group will attach more importance to the optimisation of its product offerings in the Trading Business. The expansion of its licensed brand portfolio under the trading umbrella will continue, given that it allows the Group to stand out from its competitors and drive sales. The e-commerce unit will adjust its strategy to predominantly focus on our own brands and licensed products. The management believes that a streamlined product assortment is conducive to better inventory management and schedule reliability, resulting in a sustainable foundation for growth.

Madam Ngan Po Ling, Pauline, BBS, JP, Deputy Chairman and Managing Director of Mainland Headwear, said, "Over the past 35 years, Mainland Headwear has ridden out various economic cycles and challenges and established itself as a market leader in the headwear manufacturing industry. With its leading market position, strengthened presence in Bangladesh, a balanced product portfolio and shrewd business acumen, the Group remains confident of its ability to weather whatever conditions that may come and create long-term value for customers as well as shareholders."

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About Mainland Headwear Holdings Limited (HKEX: 1100)

Mainland Headwear Holdings Limited was established in 1986 and listed on the Main Board of The Stock Exchange of Hong Kong in 2000. The Group is principally engaged in the design, manufacture and distribution of quality headwear and accessories. Headquartered in Hong Kong, with factories in Shenzhen, PRC and Bangladesh, the Group manufactures an exclusive wide range of licensed casual headwear products and accessories. The Group has established a long-term business partnership with New Era Cap Co., Inc. by entering into a manufacturing agreement. Company Website: www.mainland.com.hk

For more information:

Strategic Financial Relations Limited

Heidi So	Tel: +852 2864 4826	Email: heidi.so@sprg.com.hk
Phoebe Leung	Tel: +852 2114 4172	Email: phoebe.leung@sprg.com.hk