



MAINLAND HEADWEAR HOLDINGS LIMITED

飛達帽業控股有限公司*

(Incorporated in Bermuda with limited liability)

**Mainland Headwear's 2022 Net Profit Surges 52.6%
to HK\$195 Million**

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Final Dividend of 6 HK Cents Per Share

Expansion of Bangladesh Factory to Be Completed Next Quarter

New Mexico Factory to Commence Production in Stages by End of 2023

(22 March 2023, 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 2022 (the “Year”).

During the Year, the Group recorded significant growth in revenue and net profit. Revenue surged by 17.1% to HK\$1,874,424,000 (2021: HK\$1,600,255,000). Gross profit jumped 33.0% to HK\$637,296,000 (2021: HK\$479,224,000) and the gross profit margin climbed by 4.1 percentage points to 34.0%. Even though part of the profit from the Manufacturing Business was offset by the loss incurred from the Trading Business, profit attributable to shareholders rose sharply by 52.6% to HK\$195,390,000 (2021: HK\$128,076,000).

The Board has resolved to recommend a final dividend of 6 HK cents per share (2021: final dividend of 4 HK cents; special dividend of 2 HK cents) for the year ended 31 December 2022. Together with an interim dividend of 3 HK cents per share (2021: interim dividend of 3 HK cents), the total dividend for the Year amounts to 9 HK cents (2021: 9 HK cents).

Mr. Ngan Hei Keung, Chairman of Mainland Headwear, said, “In 2022, the slowdown in economic growth in major markets such as the United States and Europe, coupled with more cautious procurement by retailers, and logistics and transportation chaos from strikes at various ports made the business environment difficult. Nevertheless, capable of quick production and delivery, the Group’s Manufacturing Business gave full play to its production technology advantages in the challenging operating environment. In particular, the factory in Bangladesh, which boosted production efficiency during the Year by adding manpower and optimizing project management to further improve profitability, successfully obtained a large number of quick-turn orders. Since the orders were of higher margin, the Manufacturing Business further improved its profitability. As for the Trading Business, it actively responded to market changes by strengthening its product portfolio and maintaining resilient operations. Consequently, the Group’s total sales volume continued to grow vigorously with both revenue and net profit scaling new heights.”

Manufacturing Business: Revenue surged 33.6%, benefit from strong demand for quick-turn orders and highly efficient production

The business segment is equipped with advanced automated machinery and a large pool of very skilled and experienced workers. The highly efficient production is able to respond and meet quick-turn order demands. During the Year, revenue from the Manufacturing Business increased by 33.6% to HK\$1,127,566,000 (2021: HK\$844,256,000). Moreover, with the Bangladesh's currency Taka depreciating rather sharply during the Year, the segment's cost of sales dropped. Gross profit margin of the business rose to 34.7%, 5.9 percentage points higher than in 2021 and the segment's operating profit surged by 77.0% to HK\$309,750,000 (2021: HK\$174,981,000).

During the Year, the Bangladesh factory also actively pushed forward with its expansion plan involving the construction of new production facilities and the relocation of a warehouse. As for the Shenzhen factory, it focused on the design, development and production of high-end products and supporting the Group in material procurement and production techniques.

Trading Business: Seize post-pandemic opportunities in the European and American markets; revenue similar to that of last year

As for the Trading Business, the Group's subsidiaries boast a comprehensive product portfolio, comprising own brands and licensed products. During the Year, to seize post-pandemic opportunities in the European and American markets, the segment restructured its product portfolio to promote business development. Revenue for the Year was HK\$746,858,000, which is similar to that in 2021, accounting for 39.8% (2021:47.2%) of the Group's total revenue.

Affected by frequent strikes in Europe and the United States and recurrent port shutdowns during the Year, a large number of containers with imported cargo were stranded at ports and in warehouses. The Group had to repeatedly revise shipping routes to cope, which led to an increase in sales and management expenses. Consequently, the Trading Business recorded an operating loss, including impairment of goodwill, of HK\$59,079,000 (2021: HK\$11,617,000).

Prospects: To expand capacity to meet strong demand; to optimize product mix to drive continuous growth

Looking ahead, with the Russia-Ukraine conflict unresolved, and inflation remaining high in the European and American markets, the market will be filled with uncertainties. In spite of this, as consumer spending has continued to grow and demand remains strong, retail companies have a window of opportunity to clear inventories built up from shipping stoppages last year. Retailers are expected to resume ordering in the middle of this year, which means that sales are likely to steadily climb.

The pandemic and stagnant logistics have prompted consumer goods buyers to place small quantity, quick-turn orders that require short production cycles. They have been more inclined to work with manufacturers who have high production flexibility, and can allow them to purchase less at a time so as to lessen their inventory. As one of the few manufacturers capable of quick turnaround manufacturing in the headwear market, the Group is well poised to benefit from strong demand in the quick-turn orders market.

To meet the keen customer demand, the Group will continue to optimize deployment of production capacity and improve efficiency. The expansion of the Bangladesh plant is almost completed with operation expected to start in the second quarter of this year. With an additional 100 new embroidery machines and approximately 3,000 workers, the new factory will boost the Group's production capacity by 20% once operational.

The Group also plans to build a manufacturing base in Mexico to further bolster its production capacity for handling quick-turn orders, as well as explore new customer sources. The Mexico plant is expected to be completed by the end of this year, and production will subsequently commence in stages. As the factory will be in a free trade zone less than two kilometers from the US border, the Group expects to be able to deliver orders to the US much faster. In addition, the Group will be able to save a significant amount of logistics costs and import duties when the factory is in operation. By then, the Group will have an even more obvious advantage in handling quick-turn orders.

To tackle the operating challenges brought by soaring raw material prices and wages, the Group will continue to implement various cost control measures. While expanding its supply chain and localizing procurement to mitigate rising cost pressure and disperse supply risks, it will also introduce more automated and intelligent technologies to optimize work processes and staff deployment, which in turn will improve overall production efficiency.

For the Trading Business, efforts will be made to enrich its product offerings, with operating the Group's own brands and licensed products being its focus. The Group believes that after the business segment is restructured, it will be able to better control sales and administrative costs, hence substantially improve profitability, providing a solid foundation for sustainable growth.

Madam Ngan Po Ling, Pauline, BBS, JP, Deputy Chairman and Managing Director of Mainland Headwear, said, "Over the past 36 years, the Group has managed to ride out various economic cycles and challenges and become a market leader in the headwear manufacturing industry. With market leadership, well-thought-out production layout, balanced product portfolio and shrewd business acumen, the Group remains confident of its ability to weather any harsh conditions and create long-term value for its customers and 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, LCC by entering into a manufacturing agreement.

Company Website: www.mainland.com.hk

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