

## Mainland Headwear Announces 2015 Annual Results

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**Another Year of Success as  
Profit Attributable to Shareholders Surges by 59.1% to HK\$52,554,000**

### **Bangladesh Factory Drives Business Growth under the “One Belt One Road” Initiative**

(23 March 2016, Hong Kong) **Mainland Headwear Holdings Limited** (“Mainland Headwear” or the “Group”) (stock code: 1100), a renowned designer, producer and retailer of headwear, today announced its annual results for the year ended 31 December 2015.

The Group’s investment and two years of efforts committed to its Bangladesh factory have started to bear fruit. The Manufacturing Business remained as the main income source and the greater contribution made by the Bangladesh factory led to the Group’s outstanding performance, while the trading and retail businesses enjoyed steady performances. During the year, market demand for the Group’s headwear products continued to increase. However, the production capacity of the Shenzhen office slightly decreased due to reduced workforce, so the Group has not been able to produce the increasing order volume despite expansion of the Bangladesh factory, hence turnover slightly dropped by 5.1% to HK\$870,998,000 (2014 : HK\$917,533,000). Nevertheless, the Group’s gross profit notably increased by 6.1% to HK\$265,112,000 (2014 : HK\$249,753,000), benefitting from the contribution of the Bangladesh factory and cost control measures. Gross profit margin also grew by 3.2 ppt to 30.4%. Thanks to stronger production efficiency and the lower production costs of the Bangladesh factory, profit attributable to shareholders surged by 59.1% to HK\$52,554,000.

The Board declared a final dividend of 2 HK cents per share for the year ended 31 December 2015. Together with an interim dividend of 1 HK cent per share, total dividend for the year will be 3 HK cents per share (2014: 3 HK cents per share).

**Mr. Ngan Hei Keung, Chairman of Mainland Headwear**, said, “During the year under review, market demand for our headwear products continued to rise strongly, clearly demonstrating that our excellent quality has earned the trust of customers. During the year, the Group achieved remarkable results once again. The Bangladesh factory has already delivered contribution and facilitated the Group’s profitability in merely two years, proving that the Group has adopted the correct strategy by actively devoting its resources towards the development of the Bangladesh Manufacturing Business. We will continue to expand the capacity of the Bangladesh Factory in order to fulfill future business development needs.”

#### **Business Review**

##### **Manufacturing Business**

During the year under review, the Manufacturing Business remained as the Group’s main income source, accounting for 65.0% of total turnover. Order volume also continued to increase rapidly. However, the production capacity of the Shenzhen office slightly decreased due to reduced workforce, so the Group has not been able to produce the increasing order volume despite expansion of the Bangladesh factory, hence turnover of the Manufacturing Business slightly dropped by 5% to HK\$616,305,000. Nonetheless, the Bangladesh factory continued to grow quickly with number of employees reaching approximately 3,100 and an increased production capacity of 1.8 million units of headwear per month. The skill set of local staff advances and they acquired the capability to manufacture mid-range-to-high-end headwear products. This has led to a substantial enhancement in production efficiency, resulting in the operating profit of this segment to climb by 66% to HK\$65,927,000, starting to contribute profit to the Group. The production capacity of the Bangladesh factory

currently accounts for around 60% of the Group's total capacity, making it an engine for profit growth.

### **Trading Business**

During the year, our Trading Business developed steadily. Turnover of H3, DPI and San Diego Hat Company ("SDHC") all recorded an increase, leading to a 2% growth in turnover to HK\$218,811,000 in this segment. As the Group continued to enrich its product mix and expand its customer base, operating profit of the Trading Business amounted to HK\$322,000. The Group has strived to expand the SDHC business by enriching the product mix with accessories, boosting its competitiveness, expanding its customer base and enlarging its market share. The Group also acquired a property in San Diego, USA during the period to serve as the headquarter of SDHC. The Group also optimised trading strategies and accelerated product development to complement its business growth. The Group expects this segment will soon enter a stage where it can reap a return on its efforts.

### **Retail Business**

During the year, the slowdown in China's economic growth has hit the nationwide retail market hard. Although we have made flexible adjustment to retail business' sales strategies, enhanced the business development of franchise stores and strategically decreased the proportion of self-owned stores to lower operating costs, the conservative consumption sentiment in Mainland China has inevitably affected business in this segment. Turnover for this segment was HK\$112,547,000. Despite this, the Group has been actively promoting the business development of Sanrio franchise stores and adopted a prudent strategy on its self-owned stores, enabling it to record an operating profit of HK\$69,000 during the year. Achieving profit despite the challenging market conditions has demonstrated the success of the Group's strategic plans.

### **Prospects**

Under the "One Belt One Road" initiative, Bangladesh has implemented a series of infrastructure construction projects in recent years including the building of highways, railways and deep water docks. The completion of a series of infrastructure projects is set to accelerate economic growth in Bangladesh and as one of the first batch of beneficiaries under the "One Belt One Road" initiative, the Group will also continue to benefit from these policies.

The Group will increasingly focus on its Bangladesh factory for production and will continue to expand the production capacity of the factory. It aims to enhance the scale of the sample room from more than 10 staff to 80 staff. The Group also plans to improve product quality and produce mid-range to high end products, as well as boosting production efficiency by 15% to 20% and increasing production capacity to 2 million units each month. These efforts are intended to address the problem of excess demand. Besides, the Group will recruit more local staff and optimise their production skills and efficiency through training. The Shenzhen factory has accumulated extensive experience in product development and production over the years. Thus, the facility there can continue to handle orders with a shorter delivery schedule and more complicated designs, as well as conducting R&D and design work.

As for the Trading Business, the Group is striving to enhance its product mix to meet the demand from different customers and address the fast-changing market trends. Looking ahead, the Group will actively expand the SDHC business. The new headquarter established during the year will help promote the exploration of new markets and lead the way to broaden the Group's marketing network and further increase market penetration as well as supporting overall long-term business growth.

Amidst the major challenge arising from the continuously sluggish retail market, the Group will continue to strengthen its franchise strategy, pursue innovation by opening retail stores as it implements a new business model, and expand to second- and third-tier cities in the PRC. Regarding the Sanrio business, the Group plans

to more actively introduce franchise stores offering an innovative customer experience such as café, juice bar, ice cream bar, etc., to broaden its customer base and boost its business performance.

**Mrs. Ngan Po Ling, Deputy Chairman and Managing Director of Mainland Headwear**, said, “We believe that the ‘One Belt One Road’ initiative will benefit the Group’s manufacturing business in Bangladesh. We will seize upcoming opportunities to further boost our business.”

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**About Mainland Headwear Holdings Limited (SEHK Stock Code : 1100)**

Mainland Headwear was established in 1986 and listed on the Hong Kong Stock Exchange in 2000. The Group is principally engaged in the design, manufacture and distribution of quality headwear, with its own manufacturing plants in Shenzhen and an acquired factory in Bangladesh. In 2004, the Group commenced retail business to open headwear outlets in Hong Kong and the PRC. In 2005, the Group obtained the exclusive license to design, manufacture and sell all SANRIO products in the PRC. In 2008, the Group signed a seven-year manufacturing agreement with New Era Cap Co., Inc., the largest and fastest growing headwear manufacturer in the United States. In 2012, the Group acquired San Diego Hat Company, a leading high-end designer, importer and marketer of women’s hats in the US, to expand self-owned brand business in the downstream market in Europe and the US, and the strategic partnership with New Era by entering into a five-year manufacturing agreement in 2014.

Company Website: [www.mainlandheadwear.com](http://www.mainlandheadwear.com) / [www.mainland.com.hk](http://www.mainland.com.hk)

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