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 Reports 2024 Net Profit of HK$57.07 Million
Final Dividend of 5 HK Cents Per Share

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New Cambodia Production Lines to Launch in Second Half
Mexico Factory to Begin High-End Product Manufacturing Next Quarter

(26 March 2025, Hong Kong) **Mainland Headwear Holdings Limited** ("Mainland Headwear" or the "Group") (HKEX: 1100), a renowned designer, manufacturer and distributor of headwear and accessories, today announced its annual results for the year ended 31 December 2024 (the "Year").

The Group's revenue for the Year totaled HK$1,474,488,000 (2023:HK$1,418,994,000). Gross profit amounted to HK$455,482,000 (2023: HK$476,364,000). Profit attributable to shareholders was HK$57,074,000 (2023: HK$117,949,000).

The Board has resolved to recommend a final dividend of 5 HK cents per share for the year ended 31 December 2024 (2023: final dividend of 6 HK cents). Together with the interim dividend of 3 HK cents per share (2023: interim dividend of 3 HK cents), the total dividend for the Year amounted to 8 HK cents per share (2023: 9 HK cents).

Mr. Ngan Hei Keung, Chairman of Mainland Headwear, said, "In 2024, global geopolitical tensions persisted, economic growth in major European and American markets remained sluggish, and the planned imposition of additional tariffs by the United States on specific goods further complicated the international trade environment. Amid these challenging operating conditions, the Group actively optimized its global production layout, gave full play to its unique advantage of having multiple production bases in operation. It strove to enhance the production efficiency of its new plant in Mexico and acquired a Dutch licensed product development company to help expand its trading business in Europe and other overseas markets. At the two-pronged tactic, the Group gained growth impetus for achieving sustainable development."

** For identification purpose only*

Manufacturing: Substantial orders secured; Revenue grew by 13.4% year-on-year

During the Year, the procurement market had shown signs of recovery although Europe and the US are facing uncertainties such as the continuing Russia-Ukraine war and economic growth slowing down. With the inventory backlog accumulated in previous years nearly fully cleared, buyers have resumed placing large numbers of orders. Seizing this opportunity, the Group was able to secure substantial orders and its manufacturing business grew. Revenue from the Group's manufacturing business for the Year was HK$931,812,000 (2023: HK$821,760,000), a 13.4% increase year-on-year. The segment's operating profit climbed by 2.0% year-on-year to HK$190,576,000 (2023: HK$186,886,000) and revenue accounted for 63.2% (2023: 57.9%) to the Group's total revenue.

During the Year, the Bangladesh factory received a large number of orders for headwear products and began producing accessories such as wallets, belts, backpacks to be sold by the trading business. As production expanded, so did the economies of scale of the factory and in turn its gross profit margin. Operating profit rose by 15.2% year-on-year to HK$194,624,000 (2023: HK$168,952,000).

As for the Mexico factory, which was still in the early production stage, the Group increased investment in technical support, staff training, and management, and worked on optimizing production processes to gradually improve its production efficiency. The Shenzhen factory scaled down and incurred a one-off labor optimization cost from adjusting personnel deployment. During the Year, the Mexico and the Shenzhen factories recorded operating losses of HK$71,013,000 (2023: HK$36,058,000).

Trading: 55% interest acquired in Dutch company to drive stronger synergies

The Group's trading business focuses on distribution of headwear, and accessories including wallets, belts and backpacks in the European and American markets. To expand its market coverage and enrich its product portfolio, the Group implemented a number of strategic initiatives during the Year, including acquiring a property in Missouri to serve as its office and warehouse, and 55% equity interests in a Dutch licensed product development company with extensive experience in design and distribution of consumer products, to complement the operations of its other subsidiaries and create stronger synergies.

However, competition in the retail market intensified during the Year, as many sportswear brands promoted their products in US hypermarkets, putting pressure on the Group's sales. In addition, some long-term retail customers suspended ordering, and that further affected the Group's sales performance. Taking into account sales from the acquired Dutch company, revenue from trading business dropped by 9.1% year-on-year to HK$542,676,000 (2023: HK$597,234,000), constituting 36.8% of the Group's total revenue.

Trading business continued to actively manage its budget during the Year, but with distribution costs remaining high, its gross profit margin shrank by 2.0 percentage points year-on-year. In addition, with the Group having to make provision for the inventory of e-commerce business and assume an attributable operating loss from the acquired Dutch company, the trading segment recorded operating loss of HK$95,443,000 (2023: operating loss of HK$56,583,000).

Prospects: Mexico factory to achieve operational efficiency gains in 2025; New Cambodia production lines to prioritize European and US market orders

Looking ahead, international rivalry and challenges in the operating environment will continue. The United States frequently changing its tariff measures will also add uncertainties to global trade. Nevertheless, the Group remains cautiously optimistic about its prospects. With inventory near all digested in Europe and the United States, customers have increased procurement and are actively placing orders again. The Group will continue to optimize its business layout, promote synergistic development of its various businesses and grasp opportunities in the changing market.

For manufacturing business, the Group will continue to improve its operations and production efficiency. At the Mexico factory, after initial employee training and work process optimization, the production of basic style products has been stabilized. Its plan is to start putting out high-end products in the second quarter of 2025. Based on production progress at the plant and existing orders, the Group expects to see a significant improvement in operational efficiency of the factory in 2025.

Moreover, to mitigate geopolitical risks, the Group plans to further expand its production footprint and add production lines in Cambodia. It expects to lease a factory and start producing headwear products in Cambodia in the second half of 2025, putting out approximately 450,000 pieces of headwear a month. Leveraging the country's relatively affordable labor costs and geographical advantage, the new production lines will handle orders from European and US customers who need to adjust and shift their supply chains to regions outside Mainland China, as such it can enhance the Group's overall competitiveness in the global manufacturing market.

As for trading business, the Group will capitalize on the licensing strengths of the Dutch company it acquired to expand its market coverage from existing regions in Europe and the United States to the Middle East and Africa, aiming to obtain more brand licenses to broaden its revenue sources. Although the Group still needs to bear the loss attributable to the Dutch company in 2025, it believes, by integrating the resources of the Dutch company and other subsidiaries of the trading segment, it will be able to unearth the potential demand in cross-regional markets, and the trading segment will realize sales and profit growth in the medium to long term. The Group will continue to refine its marketing strategies and strengthen cooperation and communication with retail customers to consolidate its leadership in the trading industry.

At the same time, the Group will continue to implement various cost control measures and streamline its operating structure to reduce expenses. The Missouri warehouse in the United States, which has been in use since the first quarter of 2025, has not only helped the Group save rental expenses for office and warehouse spaces, but also provided much room for it to improve operational efficiency and meet the needs of the trading business to develop.

Madam Ngan Po Ling, Pauline, BBS, JP, Deputy Chairman and Managing Director of Mainland Headwear, said, "Over the past 38 years, Mainland Headwear has made it through various economic cycles and challenges to become a market leader in the headwear manufacturing industry. Boasting market leadership, a diversified production layout, a broad product portfolio that covers from headwear to accessories, plus shrewd business insight, the Group is confident of overcoming different challenges and creating long-term value for 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, the PRC, Bangladesh, and Mexico, the Group manufactures an exclusive and wide range of licensed casual headwear products and accessories. The Group has established a long-term business partnership with New Era Cap, LLC. by entering into a manufacturing agreement.
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