
Chairman's Statement

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 called the "Group") for the year ended 31 December 2000. This is the first annual report since the Group successfully listed on the main board of the Stock Exchange of Hong Kong Limited on 13 December 2000.

RESULTS

The Group's turnover and profit attributable to shareholders for the year under review amounted to HK\$242,582,000 and HK\$43,809,000 respectively, which conforms with the estimated profits as stated in the prospectus of the Company dated 28 November 2000. The earnings per share for the year were HK23.8 cents. The Directors have recommended the payment of a final dividend of HK4.5 cents per share in respect of the year ended 31 December 2000, subject to the approval of shareholders at the forthcoming annual general meeting of the Company.



Mr. NGAN Hei Keung, Chairman

BUSINESS REVIEW

The global population is enjoying an improvement in living standard and as a result, paying more attention to their physical condition. People have become more interested in participating in sport activities and have required more physical protection while doing so. Amid this new vogue, headwear products have stood out to become one of the fastest growing industries. Despite a slowdown in U.S. economy, headwear products as a special kind of leisure consumer goods have not been affected and market demand remains strong. With the Group's seizing timely opportunities, working in a down-to-earth manner, striving proactively, providing the best services to customers and charging ahead from the new starting point upon the listing of the Company, the Company has successfully expanded its operations. Both turnover and profit after taxation grew by 56% as compared with the previous year.

It has been our long-term development direction to quest for better manufacturing techniques and closely monitor our product quality. In such connection, the Company has been successfully awarded an ISO9002 management certificate by BSI, U.K. as a result of its continuous efforts spent in careful planning and implementation. The certificate is the best evidence that the quality management system of the Group, in respect of systematization and standardization, is up to internationally recognized standard. In order to meet increasing market demand, the Group has further strengthened its production base in terms of scale and productivity. The Group's most profitable digitized embroidery production division has been expanded in a bid to enhance production techniques and productivity while a new production line of winter headwear has been introduced to achieve diversification in product range. The Group also lays great emphasis on product research and development and has devoted every effort, including capital and manpower, in connection with this. Its eighty-member R&D team, who is both creative and well versed in techniques, works diligently on product research and development in order to meet customers' and market demand.

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Zhen Han Industrial City, Buji, Shenzhen

OUTLOOK

China's entry into the WTO and flourishing international trade under free trade agreements will offer valuable opportunities to the Group. The Group will leverage its special economic zone policy and geographical advantage brought by its production base in Buji, Shenzhen so as to maximize expansion opportunities, strengthen and enhance its market share in U.S.. In addition, increasing interest in exercises, influence of American and Western life style and extensive popularity of Hollywood's films among the general public have accelerated market growth in places other than U.S., including North America, Europe, Australia and Asia. The Group will strengthen its presence in new markets such as Europe and Australia. We are confident that with our staff working as one team, the Group will be able to achieve better results in the future and maintain its leading position within the headwear industry.

ACKNOWLEDGEMENT

On behalf of the Board, I would like to express our heartfelt gratitude to all customers, suppliers, financial institutions, shareholders and staff for their continuous support.

Ngan Hei Keung
Chairman

2 April 2001



Staff Dormitory, Zhen Han Industrial City