



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 Achieves Record-high Revenue and Net Profit in 2021 Interim

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Seizes Rapid Order Rebound with Increased Production Capacity Driving Manufacturing Sales to Surpass Pre-pandemic Levels

(24 August 2021, 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 interim results for the six months ended 30 June 2021 (the “Period”).

During the Period, the Group achieved record-high revenue and net profit. Revenue surged by 72.1% to HK\$741,658,000 (2020 Interim: HK\$430,952,000). Correspondingly, gross profit rose appreciably by 87.6% to HK\$242,730,000 (2020 interim: HK\$129,377,000) with gross profit margin rising to 32.7% (2020 interim: 30.0%). Apart from the top-line growth, such increases can also be attributed to more fast orders received and effective cost control measures to optimise the management and streamline the structure of the Group, reinforced by improvement in production efficiency due to a higher level of automation at its Bangladesh plant. Profit attributable to shareholders soared by 87.3 times to HK\$66,084,000 (2020 Interim: HK\$757,000).

To share the fruit of its success with shareholders, the Board has resolved to recommend an interim dividend of 3 HK cents per share (2020 Interim: 2 HK cents).

Mr Ngan Hei Keung, Chairman of Mainland Headwear, said, “With the rebound of the global economy and relaxation of the pandemic lockdown measures worldwide, most of our customers have gradually adapted to the new normal of the late-pandemic era while the seasons of all major sports events have also resumed. Leveraging the increased production capacity at our manufacturing operations in Bangladesh and a full-fledged product portfolio under our trading umbrella, we were able to grasp the opportunities presented by the market recovery and rising online shopping trend and saw an uptick in our sales volume in both the Manufacturing and Trading business segments in the first half of 2021.”

* For identification purpose only

Manufacturing: Revenue surged 64.4% due to rapid rebound in purchases from customers supported by increased production capacity at Bangladesh factory

Revenue from the Manufacturing Business surged by 64.4% to HK\$441,302,000 (2020 Interim: HK\$268,469,000), while revenue from external customers climbed by 66.4% to HK\$392,618,000 (2020 Interim: HK\$235,980,000) accounting for approximately 52.9% of the Group's total revenue. The increase was mainly due to the rapid rebound in purchases from its customers, supported by the increased production capacity in its Bangladesh factory. These factors have led to sales in the Period not only growing year-on-year, but even surpassing pre-pandemic levels. Surging demand, reinforced by the increasing proportion of fast orders, have also translated to the significant rise in the segment's operating profit by 152.8% to HK\$89,087,000 (2020 Interim: HK\$35,237,000).

To meet the strong and fast order demand with short production cycles, the Group not only actively ramped up efficiency at its Bangladesh factory by implementing a higher level of automation and optimizing its management, but also resumed recruitment. As a result, production in Bangladesh contributed around 50.1% of the Group's total revenue, up from 47.5% in the corresponding period last year.

Trading: Revenue jumped 79.0% and achieved profit turnaround

Revenue from the Trading Business jumped by 79.0% to HK\$349,040,000 (2020 Interim: HK\$194,972,000), accounting for 47.1% of the Group's total revenue. The surge was mainly attributable to significant sales growth in the Group's trading subsidiaries in the US and UK, where lockdown measures were relaxed with the rollout of vaccines. The segment has turned around from an operating loss of HK\$18,026,000 in the first half of 2020 to an operating profit of HK\$7,631,000 during the Period.

The online consumption trend boosted by the pandemic boded well for its Trading Business, which the Group had invested in well before the outbreak of the pandemic. Apart from building a competitive product mix, the Group also expanded its portfolio of licensed brands by leveraging the consolidation in the industry during this challenging period as inflicted by the pandemic, thus reaping the benefits as the market was back on track to recovery.

Prospects: Remains confident that growth momentum will continue for next few months owing to strong order demand and solid business foundation built over 35 years

Looking ahead, though the world still remains in the grip of COVID-19 as the delta variant spreads, the management believes the growth momentum will continue into the next few months as the market has adapted to the "new normal" of living with COVID-19, as reflected in the strong order demand from the Group's customers leading to a performance even better than in previous years.

In order to meet the keen demand from its customers, the Group will continue to improve the layout of its production capacity, including enhancing the efficiency and increasing production capacity. In Bangladesh, the pandemic returned and the government has imposed a nationwide shutdown order starting 23 July 2021 until 5 August 2021, which once again led to the halt to the Group's production for approximately two weeks. At present, the Group's overall operations have returned to normal.

In addition to the volatility of the pandemic situation, the management is also mindful of shortages and soaring prices of raw materials, as well as the rising freight costs and tightening of transportation capacity. To this end, the management is gradually implementing a supply chain and procurement localization strategy in order to mitigate the impact of rising freight costs and save warehousing expenses, as well as dispersing supply risks.

With reference to the Trading Business, the Group expects that the satisfactory growth experienced by its trading subsidiaries in the US and the UK in the Period is set to continue as they benefit from the irreversible online shopping trend and gradual market recovery. The Group will intensify the expansion of its licensed brand portfolio under the trading umbrella to bolster its leading edge.

Madam Ngan Po Ling, Pauline, BBS, JP, Deputy Chairman and Managing Director of Mainland Headwear, said, "Over the past 35 years, we have ridden out various economic cycles and challenges and established ourselves as a market leader in the headwear manufacturing industry. With our leading market position, a strengthened presence in Bangladesh, a widened product portfolio spanning from headwear to accessories and shrewd business acumen, we remain confident in our ability to weather whatever conditions that may come as well as create long-term value for our 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., Inc. by entering into a manufacturing agreement. Company Website: www.mainland.com.hk

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