

**MAINLAND HEADWEAR HOLDINGS LIMITED**

飛達帽業控股有限公司*

*(Incorporated in Bermuda with limited liability)***Mainland Headwear Reports Record-high 2022 Interim Results**

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**Net Profit Surges by 28% to HK\$84.5 Million
Interim Dividend of 3 HK Cents Per Share**

(30 August 2022, 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 2022 (the “Period”).

During the Period, the Group’s revenue reached a record high, up 27.0% year-on-year to HK\$941,912,000 (2021 interim: HK\$741,658,000). This was mainly attributable to the high production efficiency of the Group’s Bangladesh factory, which allowed the Group to quickly respond to and meet the needs of customers, and benefit further from the growth in quick-turn order demand. While gross profit increased by a significant 25.1% to HK\$303,717,000 (2021 interim: HK\$242,730,000), due to higher costs, the gross profit margin was down slightly by 0.5 percentage point to 32.2% (2021 interim: 32.7%). To meet the demand for quick-turn orders with short production cycles, the Group actively improved the efficiency of its Bangladesh factory by raising the level of automation and optimizing management at the factory. Profit attributable to shareholders increased by 27.8% to HK\$84,486,000 (2021 interim: HK\$66,084,000).

The Board has resolved to recommend an interim dividend of 3 HK cents per share (2021 interim: 3 HK cents).

Mr Ngan Hei Keung, Chairman of Mainland Headwear, said, “During the Period, geopolitical tensions, interest rate hikes, high inflation and uncertain global market prospects have added variables to the economy and its recovery from the COVID-19 pandemic. Consumer confidence has weakened and retailers have become more cautious in their procurements. With its manufacturing business capable of rapid production and delivery, the Group was able to give full play to its production technology advantages and obtained a large number of quick-turn orders in the challenging operating environment. As for the trading business, the Group actively responded to market changes, established partnerships with customers and maintained its resilience while expanding its operations. The hard work of the two businesses together allowed the Group to record encouraging business growth in the first half year.”

Manufacturing: Revenue surged 43.1% due to continuous strong demand for quick-turn orders and the Bangladesh factory giving full play to its production technology advantages

During the Period, revenue from the manufacturing business surged by 43.1% to HK\$561,969,000 (2021 interim: HK\$392,618,000), accounting for approximately 59.7% of the Group's total revenue. The growth was mainly due to the continuous strong demand for quick-turn orders from customers. The Bangladesh factory not only provided customers with headwear boasting excellent craftsmanship and rapid production and delivery, it also helped customers reduce their inventories and improve capital flexibility, and in turn was able to build solid cooperative relations with customers. Growing sales, plus the higher proportion of quick-turn orders, explained the significant 59.3% rise in the segment's operating profit to HK\$141,885,000 (2021 interim: HK\$89,087,000).

The Bangladesh factory bolstered production capability and efficiency by optimizing management and recruiting additional manpower. As for the Shenzhen factory, it focused on the design, development and production of high-end products.

Trading: Revenue increased by 8.9% as opportunities were seized in the markets recovering from the pandemic in Europe and the US via its portfolio of licensed brands to drive business growth

Revenue from the trading business increased by 8.9% to HK\$379,943,000 (2021 interim: HK\$349,040,000), accounting for 40.3% of the Group's total revenue. The growth was mainly attributable to efforts of the Group's subsidiaries to capture opportunities in the markets recovering from the pandemic in Europe and the US and, via its portfolio of licensed brands, to drive business growth.

During the Period, the segment adjusted its delivery schedule heeding sales situations of customers. However, with transportation and logistics costs risen, cost of sales saw a sharp increase and as a result, the trading business recorded an operating loss of HK\$23,097,000.

Prospects: Optimize production capacity layout and improve efficiency; enhance the trading segment's product mix

The Russia-Ukraine war, plus the various sanctions imposed on Russia have continued to affect global energy supply and bulk commodity supply chains. Commodity prices have surged, with inflation in Europe and the US hitting a 40-year high. Economies have been under pressure on both the consumption and production fronts, and so have supply chains from upstream to downstream. Moreover, the COVID-19 pandemic has not yet fully subsided, and facing a new round of macroeconomic fluctuation, economic recovery is expected to slow somewhat.

The new economic situation is reshaping production and marketing modes. Consumer goods buyers are growingly attracted to quick-turn orders and are not buying so much a time to reduce inventory. Production flexibility has also been the top priority of manufacturers. As one of the few manufacturers in the headwear market capable of quick production and delivery, the Group is set to further benefit from the demand-rich quick-turn order market.

To satisfy the rapidly climbing demand for quick-turn orders, the Group will continue to optimize its production capacity layout and improve efficiency. In Bangladesh, it has actively rolled out its production facility expansion plan, with the establishment of a new factory in full swing and expected to be completed in the fourth quarter of this year. The new factory will be equipped with around 100 new embroidery machines and have an approximately 3,000-strong workforce. The Group's production capacity will increase by 20% when the factory is completed. The Group is also considering setting up a quick-turn order production base outside Bangladesh to expand production capacity and generate synergies.

As for the trading business, with online shopping becoming habitual and the market gradually recovering, the Group's trading subsidiaries in the US and the UK are expecting to be presented with new prospects. The Group will continue to optimize the segment's product mix, with the aim of improving resource allocation and operational efficiency. The e-commerce unit will continue to focus on operating the Group's own-brand and licensed products.

To cope with the operating challenges brought by the shortage and consequent soaring prices of raw materials, as well as rising freight rates, the Group will continue to implement various cost control measures, while stepping up its supply chain and procurement localization strategy to mitigate rising cost pressure and diversify supply risks.

Madam Ngan Po Ling, Pauline, BBS, JP, Deputy Chairman and Managing Director of Mainland Headwear, said, "Over the past 36 years, Mainland Headwear has ridden out various economic cycles and challenges and established itself as a market leader in the headwear manufacturing industry. Priding market leadership, well-laid-out production prowess in Bangladesh, a wide product portfolio covering from headwear to accessories and shrewd business acumen, the Group remains confident of its ability to overcome different challenges and create 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, and Bangladesh, 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 Co., Inc. by entering into a manufacturing agreement. Company website: www.mainland.com.hk

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