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MAINLAND HEADWEAR HOLDINGS LIMITED

飛達帽業控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock code: 1100)

POSITIVE PROFIT ALERT

This announcement is made by the Company pursuant to Rule 13.09(2)(a) of the Listing Rules and the Inside Information Provisions.

The Board wishes to inform the Shareholders and potential investors of the Company that, based on the information currently available, the Group is expected to record a significant increase in consolidated profit attributable to owners of the Company for the year ended 31 December 2022 as compared with the year ended 31 December 2021. Such substantial increase in the consolidated profit attributable to owners of the Company is mainly attributable to (i) the substantial growth in sales volume of the Group's manufacturing business segment and (ii) the decrease in cost of sales due to the substantial depreciation of Bangladeshi Taka in the second half of 2022, which was partially offset by the loss incurred in the Group's trading business segment.

Shareholders and potential investors are advised to exercise caution when dealing in the shares of the Company.

This announcement is made by Mainland Headwear Holdings Limited (the “**Company**”, together with its subsidiaries as the “**Group**”) pursuant to Rule 13.09(2)(a) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the “**Inside Information Provisions**”).

* *for identification purpose only*

The board of directors of the Company (the “**Board**”) wishes to inform the shareholders and potential investors of the Company that, based on the preliminary assessment of the Group’s latest unaudited consolidated management accounts and the information currently available to the Board, the consolidated profit attributable to owners of the Company for the year ended 31 December 2022 is expected to be not less than HK\$180.0 million as compared to approximately HK\$128.1 million in the preceding financial year ended 31 December 2021, representing an increase of approximately 40.5%. Such significant increase in the net profit is mainly attributable to the substantial growth in sales volume of the Group’s manufacturing business segment.

Reference is made to the interim report of the Company dated 30 August 2022 for the six-month period ended 30 June 2022 (the “**Interim Report**”). Pursuant to the Interim Report, the Group’s revenue increased by approximately 27.0% for the six months ended 30 June 2022 when compared to the corresponding period in 2021. Such increase was primarily attributable to the significant increase in the revenue generated from manufacturing business as a result of 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 from the growth in quick-turn order demand. Considering its production capacity as one of the major limiting factors for business growth, the Group has actively rolled out its production facility expansion plan in Bangladesh by optimising management efficiency, purchasing additional machineries and recruiting additional manpower. In the second half of 2022, the Group has continued to maintain a high utilisation rate of its production capacity.

Furthermore, due to the substantial depreciation of Bangladeshi Taka (the official currency of Bangladesh) in the second half of 2022, the Group benefited from the decrease in cost of sales which improved the gross profit margin of the Group’s manufacturing business segment for the year ended 31 December 2022.

Nevertheless, the positive effects brought by the enhancement of production capacity and the decrease in cost of sales as mentioned above were partially offset by the underperformance of the Group’s trading business segment. As stated in the Interim Report, the Group incurred a reportable segment loss of approximately HK\$23.1 million for the six months ended 30 June 2022. In the second half of 2022, the Group’s trading business segment continued to suffer due to the downturn of the United States economy. Despite the negative influence brought by the global economic recession, high inflation and geopolitical tensions in 2022, the Group has succeeded in maintaining a strong growth in annual business volume mainly through the expansion of its production capacity and has achieved a significant increase in consolidated net profit after offsetting the loss incurred in its trading business segment.

The information contained in this announcement is only a preliminary assessment by the Company's management based on the information currently available. The audited consolidated final results of the Group may be subject to adjustments following further review by the Board, discussions with the auditors of the Group and completion of the required auditing procedures. The information in this announcement has not been reviewed by the auditors of the Company or the audit committee of the Board.

The Board expects that the announcement of the audited consolidated results of the Group for the year ended 31 December 2022 will be published in March 2023.

Shareholders and potential investors are advised to exercise caution when dealing in the shares of the Company.

By order of the Board
Mainland Headwear Holdings Limited
Ngan Hei Keung
Chairman

Hong Kong, 16 January 2023

As at the date hereof, the Board of Directors of the Company comprises eight directors, of which five are Executive Directors, namely Mr. Ngan Hei Keung, Madam Ngan Po Ling, Pauline, BBS, JP, Mr. James S. Patterson, Mr. Ngan Siu Hon, Alexander and Mr. Lai Man Sing; and three are Independent Non-executive Directors, namely Mr. Leung Shu Yin, William, Mr. Liu Tieh Ching, Brandon, JP and Mr. Gordon Ng.