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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)**

### **DISCLOSEABLE TRANSACTION IN RELATION TO DISPOSAL OF THE TARGET COMPANY**

The Board is pleased to announce on 31 August 2019 (Hong Kong time), the Seller (a 75%-owned subsidiary of the Company), the Company and the Buyer entered into the Equity Transfer Agreement, pursuant to which the Seller has conditionally agree to sell, and the Buyer has conditionally agreed to purchase, the Transferred Equity, representing the entire issued share capital of the Target Company in issue as at the date of this announcement, for a Transfer Price of RMB575,589 which shall be settled by way of cash.

#### **LISTING RULES IMPLICATIONS**

As the highest of the applicable percentage ratios (as defined in the Listing Rules) in respect of the Equity Transfer is more than 5% is less than 25%, the Equity Transfer constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules, and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

#### **THE EQUITY TRANSFER**

The Board is pleased to announce that on 31 August 2019 (Hong Kong time), the Seller (a 75% owned subsidiary of the Company), the Company and the Buyer entered into the equity Transfer Agreement, pursuant to which, among other things, the Buyer has conditionally agreed to purchase from the Seller, and the Seller has conditionally agreed to sell the Transferred Equity, which represents the entire equity in the Target Company as at the date of this announcement, at the Transfer Price of RMB575,589.

\* *For identification purpose only*

## **THE EQUITY TRANSFER AGREEMENT**

Details of the terms and conditions of the Equity Transfer Agreement are set out below:

**Date:** 31 August 2019  
**Parties:** (i) the Seller as vendor  
(ii) the Company as warrantor  
(iii) the Buyer as purchaser

The Seller is a 75% owned subsidiary of the Group and is principally engaged in investment holding. To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, the Buyer and its ultimate beneficial owners are Independent Third Parties. The Buyer is principally engaged in designing, manufacturing, trading various character related products and promoting various characters that are designed and created by them. The Company, as warrantor of the Seller, has agreed to take up the obligations of the Seller.

### **Assets to be disposed of**

Subject to and in accordance with the terms and conditions of the Equity Transfer Agreement, the Seller has conditionally agreed to sell and the Buyer has conditionally agreed to purchase the Transferred Equity, representing the entire equity interest in the Target Company as at the date of this announcement.

### **Transfer Price**

Pursuant to the Equity Transfer Agreement, the Transfer Price for the sale and purchase of the Transferred Equity shall be in the sum of RMB575,589, which shall be payable by the Buyer on Completion.

### **Basis of the Transfer Price**

The Transfer Price was agreed after arm's length negotiation between the Buyer and the Seller and was set to be equal to net asset value of the Target Company as at 31 March 2019. The aforesaid net asset value means the net asset value of the Target Company as calculated in accordance with the PRC GAAP as recorded on the financial statements of the Target Company as at 31 March 2019.

## Conditions precedent

Pursuant to the Equity Transfer Agreement, the obligations of the Seller and the Buyer to complete the transfer of the Transferred Equity are conditional upon fulfillment or waiver (if applicable) of the following conditions:

- (a) the Equity Transfer, articles and association and other corporate changes of the Target Company in relation to or as a result of the Equity Transfer having been duly filed with the local counterpart of AMR and the Target Company having obtained a new business license reflecting the Buyer as the sole shareholder of the Company, without any alterations or conditions to be imposed by AMR on the Equity Transfer;
- (b) the Equity Transfer having been duly filed with the online system of local counterpart of MOFCOM, so as to obtain a Foreign Investment Enterprise Filing Notice issued to the Target Company evidencing that the Buyer is the sole shareholder of the Company, without any alterations or conditions to be imposed by MOFCOM on the Equity Transfer;
- (c) the Equity Transfer having been duly filed with the SAFE and the Company having present evidence document reflecting the Buyer as the sole shareholder of the Company in the record system of SAFE, without any alterations or conditions to be imposed by SAFE on the Equity Transfer;
- (d) the Seller appointed directors, manager and supervisor of the Target Company having tendered their resignation letter in a form acceptable by the Buyer;
- (e) person(s) nominated by the Buyer having replaced the Seller appointed directors, manager and supervisor of the target Company and the Buyer having been provided with (i) evidence of such change being duly registered/filed with the competent PRC registration authority and (ii) the new business license of the Target Company issued reflecting the Buyer nominated person as the legal representative;
- (f) the Seller having procured the Target Company to enter into the corresponding settlement agreement to the satisfaction of the Buyer, which will specify the settlement arrangement of the accounts payable owed by the Target Company to the Seller and/or the affiliates of the Seller and the accounts receivable owed by the Seller and/or its affiliates to the Target Company;
- (g) the Target Company having been compliant with applicable laws and regulations;
- (h) the revised articles of association of the Target Company which indicate the Company's registered capital as RMB10,000,000 and registered address as the Company's actual operation address or registered a branch at its actual operation address having been duly filed with AMR;
- (i) the key employees of the Company having entered into non-compete agreements;

- (j) the Company having presented an interim operation plan to the satisfaction of the Buyer;
- (k) the Company having ceased using the individual accounts in the Company's operation and the Company having rectified the accounting system which shall be compliant with applicable laws, regulations and accounting rules;
- (l) the Company having rectified the contribution of social insurance, housing reserve funds and withholding payment of individual income tax which shall be compliant with applicable laws and regulations;
- (m) the Buyer and the Seller having entered into a simple form equity transfer agreement in Chinese;
- (n) there having been no material adverse effect on the Target Company's business, operations and financial position and there having been no circumstance or fact, would or could give rise to the occurrence of any such material adverse effect;
- (o) the Seller having complied with all obligations and covenants which by their nature shall be complied before or at Completion under the Equity Transfer Agreement and all warranties specified in the Equity Transfer Agreement are true, accurate and not misleading in all respects.

In the event that any of the above conditions precedent has not been fulfilled (or waived pursuant to the Equity Transfer Agreement) on or before the Long Stop Date, the Buyer shall be entitled not to proceed with the transfer of the Transferred Equity, the Equity Transfer Agreement shall automatically terminate with immediate effect and each Party's rights and obligations of the parties thereto (other than those would survive termination) shall cease to have any force or effect immediately upon termination.

### **Completion**

Subject to the fulfillment or waiver (where applicable) of conditions precedent, the Completion shall take place on the Completion Date.

### **INFORMATION ABOUT THE TARGET COMPANY**

The Target Company is a foreign wholly owned enterprise in PRC and is principally engaged in operating specialty shops under shopname of Vivitix and Giftgate in the PRC under the license agreement with Sanrio Co., Ltd. The Target Company is wholly owned by the Seller.

Based on the management accounts of the Target Company, the net asset value of the Target Company as at 31 March 2019 was approximately RMB575,589. Set out below is the audited financial information of the Target Company for the two financial years ended 31 December 2018 and 31 December 2017:

	<b>For the year ended</b>	
	<b>31 December</b>	
	<b>2018</b>	2017
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Revenue	<b>37,802</b>	42,676
Net loss before and after taxation	<b><u>1,064</u></b>	<u>863</u>

Upon completion of the Equity Transfer, the Company will not own any interest in the Target Company.

### **FINANCIAL EFFECTS OF THE EQUITY TRANSFER AND USE OF PROCEEDS**

Based on the preliminary assessment on the unaudited financial information as at 31 July 2019, it is estimated that the Group will record a gain of approximately HK\$2 million as a result of the Equity Transfer. The actual gain or loss as a result of the Equity Transfer to be recorded by the Group is subject to final audit to be performed by the auditors of the Company.

The net proceeds from the Transaction are intended to be used for the Group's business development and general working capital.

### **REASONS FOR AND BENEFITS OF THE EQUITY TRANSFER**

The Group is principally engaged in the design, manufacturing and retail of quality casual headwear worldwide.

The license agreement signed between the Buyer and Seller in relation to operating specialty shops in the PRC was expired on 30 March 2019.

To cope with Sanrio's new global marketing direction and also following Group's strategic decision to reduce resources or investment in non-profit making business segment, the Group, after friendly discussion with the Buyer, decided to transfer the whole business operation in the PRC to the Buyer by way of selling the entire equity of the Target Company at its net book value as at the expiry date of the license agreement.

Management believes that after this disposal, the Group can put more attention and resources to its profitable yet expanding manufacturing and trading segments.

The Directors consider that the Transfer Price to be fair and reasonable and on normal commercial terms and the Equity Transfer is in the interests of the Company and the Shareholders as a whole.

## **IMPLICATIONS OF THE LISTING RULES**

As the highest of the applicable percentage ratios (as defined in the Listing Rules) in respect of the Equity Transfer is more than 5% is less than 25%, the Equity Transfer constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules, and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

## **DEFINITIONS**

Terms or expressions used in this announcement shall, unless the context otherwise requires, have the meanings ascribed to them below:

<b>“AMR”</b>	State Administration for Market Regulation (國家市場監督管理總局) of the PRC or its local branches
<b>“Board”</b>	the board of Directors
<b>“Buyer”</b>	Sanrio Co., Ltd, a company which is established in Japan
<b>“Company”</b>	Mainland Headwear Holdings Limited, a company incorporated in Bermuda with limited liability whose Shares are listed and traded on the Main Board of the Stock Exchange (Stock Code:1100)
<b>“Completion”</b>	completion of the sale and purchase of the Transferred Equity pursuant to the Equity Transfer Agreement
<b>“Completion Date”</b>	the date on which Completion takes place which is the fifth (5th) business day after all conditions precedent (except those which by their nature can only be fulfilled at Completion) have been fulfilled or otherwise waived, or at such other time and place as agreed by the Buyer and the Seller
<b>“Director(s)”</b>	the director(s) of the Company
<b>“Equity Transfer”</b>	the disposal of Transferred Equity from the Seller to the Buyer
<b>“Equity Transfer Agreement”</b>	the conditional Equity Transfer Agreement dated 31 August 2019 entered into between the Seller and Buyer in respect of the sale and purchase of the Transferred Equity
<b>“Group”</b>	the Company and its subsidiaries

“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party(ies)”	independent third part(ies) who is/are not connected person(s) of the Company and is/are independent of and not connected with the Company and its directors, chief executive, and substantial shareholders of the Company or any of its subsidiaries or their respective associates
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	30 September 2019
“MOFCOM”	the Ministry of Commerce of the PRC or its local branches
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of PRC
“SAFE”	State Administration for Foreign Exchange of the PRC or its local branch
“Seller”	PPW Retail Ltd, a 75% owned subsidiary of the Company
“Shareholders”	shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Shanghai CYF Company Limited (上海成顏豐商貿有限公司), a company incorporated in the PRC
“Transfer Price”	RMB575,598
“Transferred Equity”	the 100% equity interest in the Target Company held by the Seller

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

Hong Kong, 31 August 2019

*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, Ms. Maggie Gu and Mr. Ngan Siu Hon, Alexander; and three are Independent Non-executive Directors, namely Mr. Leung Shu Yin, William, Mr. Liu Tieh Ching, Brandon, JP and Mr. Gordon Ng.*