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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 INVESTMENT IN FUND

The Board announces that on 15 December 2021, GZJH (a wholly owned subsidiary of the Group) executed the Capital Contribution Agreement in relation to the contribution of RMB30 million by GZJH to the Partnership. GZJH (as limited partner of the Partnership) and the General Partner (as general partner of the Partnership) will enter into the Partnership Agreement for the purpose of the establishment of the Partnership.

The Partnership is a limited partnership to be established in the PRC whose principal business is equity or quasi-equity investment in sub-funds and entities in emerging industries. Pursuant to the Limited Partnership Agreement, the Partnership will have a targeted size of RMB1.5 billion (equivalent to about HK\$1.8 billion) and the total capital commitment of GZJH is RMB30 million (equivalent to about HK\$36.6 million).

As the highest applicable percentage ratio (as defined in Rule 14.07 of the Listing Rules) in respect of the Capital Contribution Agreement exceeds 5% but is less than 25%, the entering into of the Capital Contribution Agreement by GZJH constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements, but is exempt from the shareholders' approval requirement under Chapter 14 of the Listing Rules.

INTRODUCTION

On 15 December 2021, GZJH (a wholly owned subsidiary of the Group) executed the Capital Contribution Agreement in relation to the contribution of RMB30 million by GZJH to the Partnership. GZJH (as limited partner of the Partnership) and the General Partner (as general partner of the Partnership) will enter into the Partnership Agreement for the purpose of the establishment of the Partnership.

* *For identification purpose only*

The formation of the Partnership is subject to the filing procedures with the relevant authorities of the PRC government.

PRINCIPAL TERMS OF THE PARTNERSHIP AGREEMENT

The rights and obligations of the Partners are governed by the Partnership Agreement, the principal terms of which are summarised as follows:

- Parties : (1) GZJH
(2) General Partner
- Name of the Partnership : Tianjin Zhongwei Equity Investment Fund Partnership (Limited Partnership) (天津眾為股權投資基金合夥企業 (有限合夥))
- Term of the Partnership : The term commences from the First Closing Date and end on the sixth anniversary date from the first closing date of the Main Fund subject to two 1-year extensions (each an “**Extended Period**”) as requested by the Executive Partner. The period of the first three years is referred to as the “Investment Period” and the period of the following three years is referred to as the “Exit Period”.
- Purpose and business scope of the Partnership : The purpose of the Partnership is investment in unlisted corporations in the areas of technology or consumer through direct or indirect equity investment or similar right or to engage in other similar investment activities so as to increase the value of the Partnership.
- The Partnership will be engaged in equity investment, investment management and provision of consulting services on investment.
- Capital contribution : The targeted total capital contribution by all Partners to the Partnership shall be RMB1.5 billion. GZJH shall contribute capital in amount of RMB30 million which represents about 2.0% of the targeted total contribution.
- Payment of capital contribution : Each of the Limited Partners shall make their capital contribution in the following manner:
- (1) First payment: 40% of its capital contribution payable on the First Closing Date according to receipt of 10-working day written notice from the General Partner.

- (2) Second payment: 30% of its capital contribution payable on a date (“**Second Closing Date**”) within 12 months after First Closing Date or other payment due date determined by the General Partner.
- (3) Third payment: 30% of its capital contribution payable within 12 months after the Second Closing Date or other payment due date determined by the General Partner.

The capital contribution to be made by GZJH will be funded by its internal resources.

Management : The Partners have agreed that the General Partner shall act as the executive partner of the Partnership and be entrusted with exclusive management power of the Partnership. All other Partners shall not take part in the conduct of its affairs of the Partnership but shall have a right to monitor the General Partner in its exercise of the management power of the Partnership.

The Partnership shall pay the following annual management fee to the Manager, unless as determined by the executive partner of the Partnership:

- (1) 2% on the capital contribution of all the Partners from the date of first closing to the end of the Investment Period (as defined above); and
- (2) 2% on the investment cost of the remaining investments as shared by the capital contribution of all the Partners during the Exit Period or Extended Period (as defined above).

Distribution : The available profits are agreed to be distributed in the following order of priority:

- (i) firstly, to the Limited Partners until each Limited Partner has received an amount equal to 100% of its accumulative paid-up contribution,
- (ii) secondly, to the Limited Partners until each Limited Partner has received a hurdle return of 8% per annum on its paid-up contribution,

- (iii) thirdly, to the General Partner until the General Partner has received a compensation equal to: total hurdle return in paragraph (ii)/80% x 20%; and
- (iv) lastly, the balance will be distributed to the General Partner and the Limited Partners (according to their respective capital contribution) in the ratio of 20% to 80%.

Transfer restriction : Each Limited Partner cannot transfer or charge (no whether directly or indirectly) all or any part of its interest in the Partnership to or in favour of other person without the prior written consent of the executive partner of the Partnership.

Liabilities of the Partners : The general partner in the Partnership has unlimited liability for all the debts and obligations of the Partnership.

A limited partner in the Partnership is not liable for the debts and obligations of the fund beyond the amount of the partner's agreed contribution provided that the partner does not participate in the management of the affairs of the Partnership.

INFORMATION ON THE GROUP AND THE PARTNERS

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

The Partnership is a limited partnership established under the laws of the PRC. The purpose of the Partnership is to establish the investment fund to engage in investment business. As the Partnership is newly formed, no financial information or past performance of the Partnership is available for disclosure in this announcement.

GZJH is a company incorporated in the PRC and is wholly owned by the Group. GZJH is principally engaged in property holding investment.

The General Partner is a company established under the laws of the PRC and is principally engaged in private equity investment fund management and venture capital fund management services.

To the best of the knowledge, information and belief of the Directors, and having made all reasonable enquiries, as at the date of this announcement, the ultimate beneficial owners of the General Partner are Ms. Wei Xu (徐薇) and Mr. Huiming Zhang (張慧明) and the General Partner and its ultimate beneficial owners are Independent Third Parties.

REASONS FOR AND BENEFITS OF ENTERING INTO THE PARTNERSHIP AGREEMENT

The contribution by GZJH to the Partnership will be funded by the surplus cash of the Group denominated in RMB in the PRC. By participation in investment in the Partnership, the Group will improve the return on the cash assets in the PRC.

The terms of the Capital Contribution Agreement and the Partnership Agreement were negotiated between the parties at arm's length. In view of the benefits derived from the transaction, the Directors are of the view that the Capital Contribution Agreement and the Partnership Agreement are on normal commercial terms, are fair and reasonable and in the interest of the Company and its Shareholders as a whole.

IMPLICATION UNDER THE LISTING RULES

As the highest applicable percentage ratio (as defined in Rule 14.07 of the Listing Rules) in respect of the Capital Contribution Agreement exceeds 5% but all are less than 25%, the entering into of the Capital Contribution Agreement by GZJH constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements, but is exempt from the shareholders' approval requirement under Chapter 14 of the Listing Rules.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions having the following meanings:

“Board”	the board of Directors
"Capital Contribution Agreement"	the subscribed capital contribution confirmation executed by GZJH on 15 December 2021 and addressed to the General Partner in relation to the contribution of RMB30 million by GZJH to the Partnership
“Company”	Mainland Headwear Holdings Limited (飛達帽業控股有限公司), a company incorporated under the laws of Bermuda, the shares of which are listed on the main board of the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“First Closing Date”	the due date set out in the notice by the executive partner of the Partnership to the Partners for the payment of the first capital contribution to the Partnership

“General Partner”	the general partner of the Partnership which is Suzhou Zhongyiwei Private Equity Fund Management Partnership (Limited Partnership) (蘇州眾亦為私募股權基金管理合夥企業 (有限合夥))
“Group”	the Company and its subsidiaries
“GZJH”	Guang Zhou Jian Hao Headwear Manufacturing Ltd (廣州健豪製帽有限公司), a wholly owned subsidiary of the Group which is a party (as a Limited Partner) to the Partnership Agreement
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party(ies)”	person(s) or company(ies) and their respective ultimate beneficial owner(s) which, to the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, are third parties independent of and not connected with the Company and its connected person
“Limited Partner(s)”	Limited partner(s) of the Partnership
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“Main Fund”	Zhongwei Venture Capital Partnership (Limited Partnership) (蘇州眾為創業投資合夥企業 (有限合夥))
“Manager”	the company which is appointed to provide investment advisory services or investment management services to the Partnership and it can be the General Partner or other entity which has been appointed by the General Partner to perform such services under a written agreement between the parties
“Partner(s)”	the partner(s) of the Partnership, including the General Partner and the Limited Partners
“Partnership”	the limited partnership to be formed under the Partnership Agreement with tentative name of Tianjin Zhongwei Equity Investment Fund Partnership (Limited Partnership) (天津眾為股權投資基金合夥企業 (有限合夥))

“Partnership Agreement”	the limited partnership agreement which will be entered into between the General Partner and GZJH in relation to the formation of the Partnership and the rights and obligations of the Partners and the supplemental agreement to be entered into by the same parties and on the same date
“PRC”	the People’s Republic of China, which shall, for the purpose of this announcement only, exclude Hong Kong, Macau Special Administrative Region and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent

Notes:

1. Unless otherwise stated, the conversion of RMB into Hong Kong dollars are based on the exchange rate of RMB1 = HK\$1.22 for illustration purpose only.
2. English translation for the Chinese names of certain entities in the PRC in this announcement are for reference only and does not represent the official English translation.

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

Hong Kong, 15 December 2021

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.