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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 DISPOSAL OF PROPERTY

The Board announced that on 8 September 2023 (US time) the Vendor, a wholly-owned subsidiary of the Company, entered into the Agreement with the Purchaser in relation to the disposal of the Property for a consideration of US\$13.45 million (equivalent to approximately HK\$104.91 million).

As the highest of the applicable percentage ratios calculated under Chapter 14 of the Listing Rules is more than 5% and below 25%, the Disposal constitutes a discloseable transaction of the Company and is subject to the announcement requirement under Chapter 14 of the Listing Rules.

INTRODUCTION

The Board announced that on 8 September 2023 (US time), the Vendor, a wholly-owned subsidiary of the Company, entered into the Agreement with the Purchaser in relation to the disposal of the Property for a consideration of US\$13.45 million (equivalent to approximately HK\$104.91 million).

AGREEMENT

Date of signing: 8 September 2023 (US time)

Vendor: SDHC Property LLC, a wholly-owned subsidiary of the Company

Purchaser: Elkhorn Services LLC

As at the date of this announcement, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Purchaser and its ultimate beneficial owners are third parties independent from the Company and its connected parties. The Purchaser is principally engaged in investment holding.

Property: The property is an approximate 47,762 square foot freestanding industrial building located in the City of Carlsbad, County of San Diego, State of California, the USA.

Consideration and payment terms: The Consideration is agreed to be US\$13,450,000 (equivalent to approximately HK\$104,910,000) which is agreed to be payable to the Vendor before closing.

The above consideration, was arrived at after arm's length negotiation between the Purchaser and the Vendor and was determined by reference to the prevailing market value of local office building with warehouse in the same district. The Disposal is priced in accordance with the location, physical condition and adequacy of access and parking of the Property.

Conditions precedent: Satisfactory results of the due diligence and physical inspection from the Purchaser.

Closing: The closing will occur within 30 days after the waiver or satisfaction of the Buyer's Contingencies.

REASONS FOR AND BENEFITS OF THE DISPOSAL

The Group is principally engaged in the design, manufacturing and sales of quality casual headwear worldwide. The Vendor is a wholly-owned subsidiary of the Group and is principally engaged in property holding.

By selling the industrial building in Carlsbad, San Diego, the Group is able to increase its financial resources to meet the group's expansion needs, including looking for a bigger warehouse to cope with the growth of its trading business.

On the basis of the above, the Directors consider that the terms of the Disposal are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

EXPECTED FINANCIAL EFFECT AND USE OF PROCEEDS

The expected net profit before and after taxation arising from the Disposal amounted to approximately US\$6.4 million (equivalent to approximately HK\$49.6 million) and approximately US\$4.6 million (equivalent to approximately HK\$35.7 million) respectively.

The net proceeds from the Disposal receivable by the Vendor will amount to approximately US\$12.8 million (equivalent to approximately HK\$99.7 million) after taking into account the estimated expenses payable by the Vendor in relation to the Disposal. The net proceeds will be used as additional working capital of the Vendor and the Group and/or to acquire a property by the Group.

IMPLICATIONS UNDER THE LISTING RULES

As the highest of the applicable percentage ratios calculated under Chapter 14 of the Listing Rules is more than 5% and below 25%, the Disposal constitutes a discloseable transaction of the Company and is subject to the announcement requirement under Chapter 14 of the Listing Rules.

DEFINITIONS

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

“Agreement”	The agreement entered into by the Purchaser and the Vendor on 8 September 2023 (US time) in respect of the disposal of the Property
“Board”	the board of Directors
“Company”	Mainland Headwear Holdings Limited, 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
“Disposal”	the proposed disposal of the Property under the Agreement
“Group”	the Company and its subsidiaries
“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
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“Property”	the property of approximate 47,762 square foot freestanding industrial building located in the County of San Diego, State of California, the USA which is owned by the Vendor
“Purchaser”	Elkhorn Services LLC which is a Delaware limited liability company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“US”	the United States of America
“US\$”	United States dollars, the lawful currency of the United States of America
“Vendor”	SDHC Property LLC which is a California limited liability company
“%”	per cent

For the purpose of illustration in this announcement, the US dollars are converted into Hong Kong dollars at the exchange rate of US\$1 = HK\$7.8.

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

Hong Kong, 11 September 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, Thomas; and three are Independent Non-executive Directors, namely Mr. Gordon Ng, Mr. Cheung Tei Sing Jamie and Mr. Li Yinquan.

* *For identification purpose only*