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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)

PROPOSED CONSTRUCTION OF A BUILDING IN USA

On 20 July 2017, SDHC (a wholly owned subsidiary of the Company) entered into the three Agreements with various parties in relation to the acquisition of the Property and the design and construction of the Building in the USA. The Property will be used by SDHC as its office and warehouse.

As all the relevant percentage ratios calculated in accordance with Rule 14.07 of the Listing Rules in respect of the Agreements (and the transactions contemplated thereunder) is less than 25% but some of them are more than 5%, the Agreement (and the transactions contemplated thereunder) is classified as a discloseable transaction under Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirements but are exempted from Shareholders' approval requirement under the Listing Rules.

* *For identification purpose only*

BACKGROUND

The Developer informed SDHC that on 1 June 2017, the Developer entered into the Purchase Agreement, pursuant to which the Developer has agreed to purchase the a parcel of vacant land in California, USA (“**Property**”) from the Seller at a consideration of US\$5,875,000 (equivalent to about HK\$45,707,500) and the completion of the purchase of the Property is scheduled to be held on or about 21 August 2017. SDHC (a wholly owned subsidiary of the Company) entered into the Agreements (including Assignment Agreement, the Development Agreement and the Construction Agreement) with various parties in relation to acquisition of the Property and the design and construction of the Building.

PRINCIPAL TERMS OF THE THREE AGREEMENTS

1. Assignment Agreement

Date: 20 July 2017

Parties:

- (1) San Diego Hat Company (“**SDHC**”)
- (2) RAF Pacifica Group (the “**Developer**”)

SDHC is a company formed in the USA and is a wholly owned subsidiary of the Company and it is principally engaged in trading of headwear and accessories in the USA.

The Developer is a company formed in USA and is principally engaged in developing and acquiring office, mixed-use and industrial facilities in southern California. To the best of the Directors’ knowledge, information and belief and having made all reasonable enquires, the Developer and its ultimate beneficial owners are independent of the Company and its connected persons.

Pursuant to the Assignment Agreement, the Developer has assigned all its rights to purchase the Property under the Purchase Agreement to SDHC and the completion of the purchase of the Property is scheduled to take place on or about 21 August 2017.

2. Development Agreement

Date: 20 July 2017

Parties:

- (1) SDHC
- (2) Developer

Pursuant to the Development Agreement, the Developer has agreed to cause an approximately 82,895 square foot industrial warehouse and office building (along with all other exterior site and shell and core interior improvements, the “**Base Building**”) to be designed at the Property by an architect firm appointed by the parties. In addition to supervising the design of the Base Building, the Developer will assist SDHC with the management of the General Contractor’s work of construction of the Building and will obtain all permits and bonds required for construction of the Base Building, and will arrange and pay for engineering and construction management services related to the construction of the Base Building, and brokers’ commissions related to the acquisition of the Property and development of the Base Building. SDHC has agreed to pay the Developer for the services to be provided pursuant to the Development Agreement, the amount of US\$2,436,509 (equivalent to about HK\$18,956,040) by way of monthly instalments set out in the following table:

Period	No. of instalments	Amount (US\$)
Aug 2017	1	291,837
Sept 2017	1	532,136
Oct 2017	1	543,789
Nov 2017 – May 2018	7	122,083
June – July 2018	2	107,083

3. Construction Contract

Date: 20 July 2017

Parties:

- (1) SDHC
- (2) TFW Construction/Development, Inc. (the “**General Contractor**”)

The General Contractor is a company incorporate with limited liability in USA and is principally engaged in construction of office, retail, manufacturing and industrial buildings in California. To the best of the Directors’ knowledge, information and belief and having made all reasonable enquires, the General Contractor and its ultimate beneficial owners are independent of the Company and its connected persons

Pursuant to the Construction Agreement, the General Contractor has agreed to construct the Base Building in accordance with plans prepared by the appointed Architect firm for a stipulated sum of US\$6,187,137 (equivalent to about HK\$48,135,926), and to construct interior office and warehouse improvements subject to an allowance for the estimated cost of those improvements in the amount of US\$920,000 (equivalent to about HK\$7,157,600). The Construction Agreement requires the General Contractor to commence the work of construction after the Property is acquired by the Company, and anticipates that completion of the Base Building and all interior improvements (collectively, the “**Building**”) will occur no later than 31 October 2018. The General Contractor will submit to SDHC a schedule of values (“**Schedule of Values**”), allocating the entire contract sum to the various portions of the work. As the work progresses, the General Contractor will submit to SDHC with application for payment of stages of work completed. SDHC will use the Schedule of Values in reviewing the application for payment.

Total cost of the completed Building

The total cost to SDHC of the completed Building, including the purchase price to acquire the Property, is not expected to exceed US\$15,418,646 (equivalent to about HK\$119,957,066). The total cost per square foot is about US\$190. The terms of the Agreements have been negotiated by the parties on an arm’s length basis and the cost per square foot is in line with the current market price for similar building in that area.

REASONS FOR ENTERING INTO THE AGREEMENT

The principal activity of the Company is investment holding while its subsidiaries are principally engaged in manufacture and sales of headwear products, and sales of licensed products.

The current space of the office/warehouse building of SDHC in Carlsbad, San Diego cannot cope with the expansion of the business of SDHC (including its subsidiaries) in the USA. SDHC is required to lease third party warehouses to maintain its operation. After the completion of the new Building, SDHC (including its subsidiaries) can consolidate all warehouses in one location to enhance control and management of the inventories. In view of the above, the Directors consider that the terms of the Agreement are on normal commercial terms, fair and reasonable and in the interest of the Company and the Shareholders as a whole.

IMPLICATIONS OF THE LISTING RULES

As all the relevant percentage ratios calculated in accordance with Rule 14.07 of the Listing Rules in respect of the Agreements (and the transactions contemplated thereunder) is less than 25% but some of them are more than 5%, the Agreements (and the transactions contemplated thereunder) are classified as a discloseable transaction under Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirements but are exempted from Shareholders' approval requirement under the Listing Rules.

DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context otherwise requires.

“Agreements” includes Assignment Agreement, the Development Agreement and the Construction Agreement

“Assignment Agreement” the assignment and assumption of purchase and sale agreement dated 20 July 2017 between SDHC and the Developer in relation to assignment of the rights of Developer under the Purchase Agreement to SDHC

“Base Building”	the building to be constructed on the Property with details set out in the paragraph under the section headed “2. Development Agreement” in this announcement
“Board”	the board of Directors
“Building”	the Building and all its interior improvements
“Company”	Mainland Headwear Holdings Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
“connected person”	has the meaning ascribed to it under the Listing Rules
“Construction Agreement”	the agreement dated 20 July 2017 between SDHC and the General Contractor in relation to the construction of the Building
“Developer”	RAF Pacifica Group
“Development Agreement”	The development consulting agreement dated 20 July 2017 between SDHC and the Developer in relation to the design of the Based Building at the Property
“Director(s)”	director(s) of the Company (including independent non-executive director(s))
“General Contractor”	TFW Construction/Development, Inc.
“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”	the Rules Governing the Listing of Securities on the Stock Exchange

“Property”	a parcel of vacant land located in the State of California, the USA
“Purchase Agreement”	the agreement dated 1 June 2017 between the Seller and the Developer whereby the Seller has agreed to sell the Property to the Developer
“SDHC”	San Diego Hat Company, a wholly owned subsidiary of the Company
“Seller”	the current owner of the Property
“Shareholder(s)”	holder(s) of the shares of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“US\$”	U.S. Dollar, the lawful currency of the United States of America
“USA”	the United States of America
“%”	per cent.

By Order of the Board
Ngan Hei Keung
Chairman

Hong Kong, 21 July 2017

For the purpose of this announcement, all amounts denominated in US\$ have been translated (for information only) into HK\$ using the exchange rate of US\$1:HK\$7.78.

As at the date of this announcement, the Board 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.