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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)

SUPPLEMENTAL ANNOUNCEMENT REGARDING CONNECTED TRANSACTION RELATING TO SUBSCRIPTION FOR CONVERTIBLE BONDS

Reference is made to the announcement of Mainland Headwear Holdings Limited (the “**Company**”) dated 28 June 2017 in relation to the connected transaction on subscription for convertible bonds (the “**Announcement**”). Unless otherwise defined, terms used in this announcement shall have the same meanings as defined in the Announcement. In addition to the information disclosed in the Announcement, the Board wishes to provide information about the transaction in this announcement.

In view of the fact that the Group has surplus cash and its bank borrowing cost is less than the interest rate of the CB, the Directors are of the view that investing in the CB with interest rate at LIBOR plus 2% with the right to convert the CB into the equity of the Target Company and security of personal guarantee of the Guarantor, the terms of the Subscription Agreement and the CB are fair and reasonable and are normal commercial terms.

The existing shareholder of the Target Company is expected to inject additional funds of about US\$1,000,000 into the Target Company to purchase products to refill the inventory level during the peak sales period from October to December this year.

* *For identification purpose only*

The expected business model of the Target Company is to be a leading e-commerce business company which is able to predict the upcoming market demand according to market research and to develop diversified products (including design, sourcing, logistics and promoting) under its own brand names and to launch in e-commerce platforms within a short period to fill the market gap. The management team of the Target Company has successful track records in e-commerce business records over three years and their products have received satisfactory response from the customers. Through investment in the CB of the Target Company, the Company's management can have a deeper insight into e-commerce business operation so as to enable the Company to decide whether to develop e-commerce channels for trading and retailing business sectors of the Group.

Although the Company is not a shareholder of the Target Company and does not have a representation in the board of the Target Company, with the Subscription Agreement in place, the management teams of the Company and Target Company will meet regularly to exchange ideas to explore synergies, above all, the Company is allowed to send representatives to attend their sale and purchase meetings. Through these activities, the Company is able to shorten the time to study the business model of e-commerce and to develop products to fill the market demand.

Under the terms of the CB, the Conversion Price is subject to adjustments in the following two situations:

(1) Issue of shares of the Target Company below Conversion Price

If the Target Company issues shares at a cash consideration per share ("**Issue Price**") which is less than the prevailing Conversion Price, the Conversion Price shall be adjusted downwards to such Issue Price.

(2) Subdivision, consolidation or re-classification of shares of Target Company

If the Target Company subdivides, consolidates or re-classifies its shares, the prevailing Conversion Price shall be appropriately adjusted so that the holder of any part of the CB shall be entitled to receive the number of shares and/or other securities of the Target Company which it would have held or have been entitled to receive after the happening of any event described above had such part of the CB been converted immediately prior to the happening of such event.

By Order of the Board

Ngan Hei Keung

Chairman

Hong Kong, 25 July 2017

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.