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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)

ACQUISITION OF 80% EQUITY INTEREST IN THE TARGET COMPANY INVOLVING ISSUANCE OF CONSIDERATION SHARES UNDER GENERAL MANDATE

THE ACQUISITION

On 18 October 2012, Joyfull (an indirect wholly owned subsidiary of the Company) and the Vendors entered into the Agreement pursuant to which Joyfull has conditionally agreed to acquire and the Vendors have conditionally agreed to sell 80% equity interest in the Target Company at a consideration of US\$1,720,000 (equivalent to approximately HK\$13,381,600).

Pursuant to the terms of the Agreement and subject to certain adjustments as set out in the Agreement, the Consideration payable by the Group to the Vendors shall be settled as follows:

- (i) US\$1,290,000 in the form of cash, and
- (ii) US\$430,000 by way of issuance and allotment of Consideration Shares at the price of HK\$1.03 per Consideration Share.

The Consideration shall be payable by the Group to the Vendors in the following manner:

- (i) Upon execution of the Agreement, sums of cash in the amount of US\$200,000 as refundable initial deposit; and
- (ii) Subject to the transfer of ownership of the Factory and the Land to the Target Company and upon Final Settlement Date, sums of cash in the amount of US\$1,090,000 and issuance and allotment of the Consideration Shares by the Company to the Vendors at the Issue Price of HK\$1.03 per Consideration Share.

LISTING RULES IMPLICATION

As the relevant applicable percentage ratios calculated in accordance with the Listing Rules are less than 5% and the Acquisition involves the issuance of Consideration Shares, the Acquisition constitutes a share transaction pursuant to Rule 14.08 under Chapter 14 of the Listing Rules and is subject to the announcement requirement of the Listing Rules.

THE AGREEMENT

Date

18 October 2012

Parties

- (i) Joyfull as the purchaser
- (ii) The Vendors as the vendors

To the best of the Directors' knowledge, information and belief and having made all reasonable enquires, the Vendors are third parties independent of the Company and its connected persons.

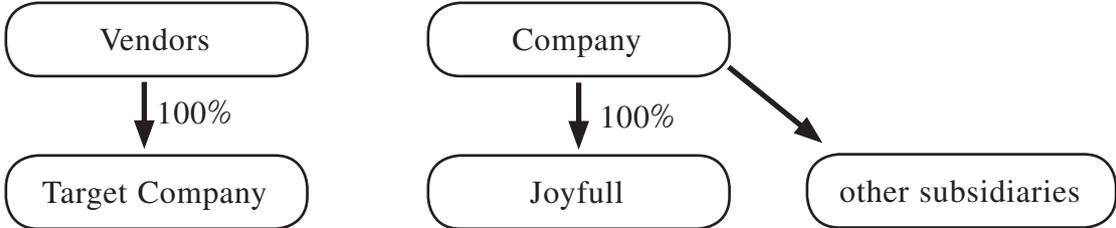
SUBJECT MATTER

Pursuant to the Agreement, Joyfull has conditionally agreed to acquire and the Vendors have conditionally agreed to sell 80% equity interests in the Target Company in the manner set out below:

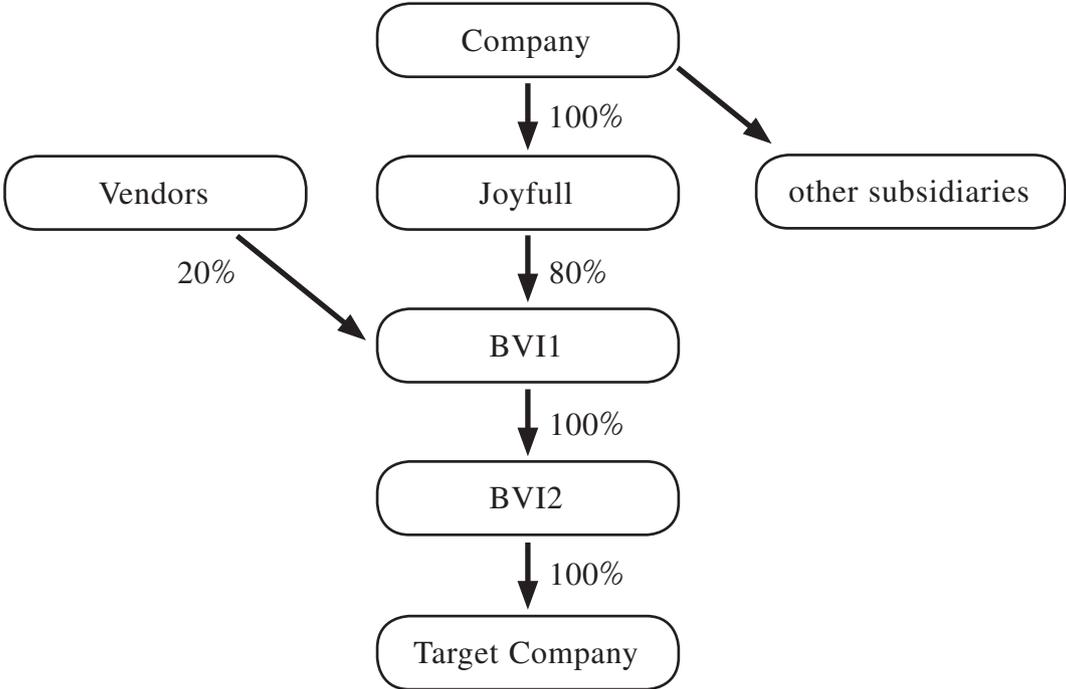
- (i) Joyfull and the Vendors shall set up BVI1 with the shareholdings of Joyfull and Vendors in the percentages of 80% and 20% respectively and then Joyfull and the Vendors shall procure BVI1 to incorporate a wholly owned subsidiary in the British Virgin Islands as BVI2; and
- (ii) Joyfull and the Vendors shall procure BVI2 to purchase and the Vendors shall sell the entire issued share capital of the Target Company.

The shareholding structures of the respective groups before and after the Completion are set out below:

Before the Completion:



Upon the Completion:



CONSIDERATION

Pursuant to the terms of the Agreement and subject to certain adjustments as set out in the Agreement, the Consideration, being US\$1,720,000, payable by the Group to the Vendors shall be settled as follows:

- (i) US\$1,290,000 in the form of cash, and
- (ii) US\$430,000 by way of issuance and allotment of Consideration Shares at the price of HK\$1.03 per Consideration Share.

The Consideration shall be payable by the Group to the Vendor in the following manner:

- (i) Upon execution of the Agreement, sums of cash in the amount of US\$200,000 as refundable initial deposit; and
- (ii) Subject to the transfer of ownership of the Factory and the Land to the Target Company and upon Final Settlement Date, sums of cash of US\$1,090,000 and issuance and allotment of 3,247,960 Consideration Shares by the Company to the Vendors at an issue price of HK\$1.03 per Consideration Share.

The Vendors undertake to Joyfull that before the Deadline, the ownership of the Factory and the Land shall be transferred to the Target Company from one of the Vendors (who is the beneficial owner of the Factory and the Land) at the costs of the Vendors. In case the ownership of the Factory and the Land cannot be transferred to the Target Company within such period, then (i) the Consideration shall be reduced by US\$1,520,000 and Joyfull is not obliged to settle or pay the part of Consideration which would become payable upon the Final Settlement Date; and (ii) the owner of the Factory will enter into a tenancy agreement with the Target Company to let the Factory to the Target Company for a term of three years at a nominal monthly rent of Tk. 1 (equivalent to approximately HK\$0.10) within ten business days after the Deadline.

The Consideration is determined with reference to an adjusted net asset value of the Target Company after a preliminary review and assessment made by the management of the Company based on the management accounts of the Target Company as at 30 September 2012.

THE CONSIDERATION SHARES

3,247,960 Consideration Shares will be issued and allotted at the Issue Price of HK\$1.03 per Consideration Share, credited as fully paid. The Consideration Shares, when issued and allotted, shall rank pari passu in all respects with the Shares then in issue on the date of issuance and allotment of the Consideration Shares.

The Issue Price of HK\$1.03 per Consideration Shares represents

- (i) A premium of approximately 0.98% to the closing price of HK\$1.02 per Share on the Last Trading Day as quoted on the Stock Exchange;
- (ii) A premium of approximately 0.19% to the average closing price of HK\$1.028 per Share as quoted on the Stock Exchange for the last five trading days up to and including the Last Trading Day;
- (iii) A discount of approximately 0.29% to the average closing price of HK\$1.033 per Share as quoted on the Stock Exchange for the last ten trading days up to and including the Last Trading Day; and

- (iv) A discount of approximately 18.90% to the unaudited net asset value per Share of HK\$1.27 per Share as at 30 June 2012.

The Issue Price was arrived at after arm's length negotiations between Joyfull and the Vendors with reference to various factors including the trading price of the Shares as set out above and the financial performance of the Group. The Directors consider that the Issue Price is fair and reasonable and the issuance of the Consideration Shares at the Issue Price is in the interests of the Company and the Shareholders as a whole.

The Consideration Shares will be issued and allotted pursuant to the general mandate granted to the Directors at the annual general meeting of the Company held on 22 May 2012, subject to the limit of 79,716,656 Shares (representing 20% of the aggregate nominal amount of the share capital of the Company in issue on that date). The 3,247,960 Consideration Shares to be allotted and issued will utilise approximately 4.07% of the general mandate, and hence is not subject to the Shareholders' further approval.

As at the date of this announcement, the Company has 398,583,284 Shares in issue. Assuming there being no other change in the shareholding structure of the Company (other than those as contemplated under the Agreement), the 3,247,960 Consideration Shares shall represent approximately 0.815% of the existing issued share capital of the Company and approximately 0.808% of the issued share capital of the Company as enlarged by the allotment and issuance of the Consideration Shares.

Application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares.

THE ADJUSTMENTS

Joyfull and the Vendors shall use all reasonable efforts to procure that the Completion Accounts of the Target Company shall be reported on by the Qualified Accountants as soon as practicable and in any event not later than the Deadline. In case the Completion Date is on or before 31 January 2013, Joyfull is entitled to determine the period of the Completion Accounts to be ended on 31 December 2012 by giving a written notice to the Vendors of making such determination within ten business days of the Completion Date and the Completion Accounts shall be issued by the Qualified Accountants within forty two days after 31 December 2012.

When the Adjusted Net Asset Value is different from a benchmarked value of US\$2,150,000 by more than US\$50,000, the cash component of the Consideration shall be adjusted in the following manner:

- (i) In case the Adjusted Net Asset Value is more than the benchmarked value by more than US\$50,000, Joyfull shall pay sums of cash in an amount equal to 80% of such surplus to the Vendors within 15 business days after the receipt of the Completion Accounts by Joyfull provided that such amount shall not exceed US\$200,000 in any event; and
- (ii) In case the Adjusted Net Asset Value is less than the benchmarked value by more than US\$50,000, the Vendors shall pay sums of cash in an amount equal to 80% of such shortfall to Joyfull (or its designated entity) within 15 business days after the receipt of the Completion Accounts by Joyfull, provided that such amount shall not render the Consideration to be reduced below zero.

In the case that the Adjusted Net Asset Value is different from the benchmarked value of US\$2,150,000 by less than US\$50,000, no adjustments on the Consideration shall be made.

CONDITIONS PRECEDENT

Completion of the Acquisition is subject to the following conditions having been fulfilled or waived (as the case may be):

- a) the listing of, and permission to deal in, all the Consideration Shares being granted by the Stock Exchange and such listing and permission not subsequently being revoked prior to the Completion Date;
- b) the registration with and the authorisation and consent of Board of Investment in Bangladesh and any other governmental authority in Bangladesh of the Agreement and the transactions contemplated thereunder having been obtained;
- c) Joyfull having completed and being satisfied with the results of the Due Diligence Review; and
- d) all other authorisations, approvals, consents, waivers and permits which are necessary or relevant to give effect to the transactions contemplated under the Agreement having been granted, received or obtained and not revoked.

Joyfull may waive the condition numbered (c) above by notice in writing to the Vendors.

Joyfull and the Vendors have undertaken to procure the other party to fulfill their respective obligations under the conditions precedent not later than the Completion Date. In the event that the above conditions are not fulfilled (or as the case may be, waived by Joyfull) on or before Completion Date (or such later date as Joyfull and the Vendor may agree in writing), the Agreement shall be terminated and the Vendors shall refund any of the Consideration received by the Vendors before to Joyfull without interest within five business days after the termination. Neither party to the Agreement will have any claim against the other in respect of any matter or thing arising out of or in connection with the Agreement save for the obligations of the Vendors to refund Consideration and any antecedent breach of any obligation under the Agreement.

COMPLETION

Subject to all the conditions precedent being fulfilled (or as the case may be, waived by Joyfull), Completion shall take place at or before 5:00 p.m. on the Completion Date, which is expected to be about 31 December 2012.

SHAREHOLDER AGREEMENT AND SERVICE AGREEMENT

Shareholder agreement

Joyfull and the Vendors shall enter into a shareholder agreement governing the relationship of the parties in management of business of the Target Company and other matters on or before Completion which has provisions to give effect to the following matters:

- (i) each of the board of directors of the Target Company, BVI1 and BVI2 shall have 5 members and Joyfull and the Vendors are entitled to appoint 3 and 2 directors respectively;
- (ii) board of directors of the Target Company is empowered to appoint a general manager and management team to manage the daily operations of the Target Company.

Service agreement

The Vendors shall enter into a service agreement with the Target Company with the provisions of the agreement accepted by Joyfull on or before Completion which has provisions to give effect to the following matters:

- (i) Each of the annual packages of the Vendors is US\$50,000 plus one month salary as year-end bonus; and
- (ii) Each of the Vendors is entitled to 1,000,000 share options (with vetting period of three years with 300,000 share options in the first year, 300,000 share options in the second year and 400,000 share options in the third year) under the existing employee share option scheme of the Company.

THE TARGET COMPANY

The Target Company operates the Factory in Bangladesh for the production of headwear products. The Vendors undertake to Joyfull that before the Deadline, the ownership of the Factory and the Land (on which the Factory is built) shall be transferred to the Target Company at the costs of the Vendors.

FINANCIAL INFORMATION OF THE TARGET COMPANY

Set out below is a summary of the key financial information of the Target Company from the commencement of its operation to 30 September 2012, which was extracted from the unaudited management accounts of the Target Company provided by the Vendors:

US\$	For the eleven months ended 30 September 2012 (unaudited)
Turnover	1,388,124
Loss before and after taxation	867,714
Loss attributable to shareholders	867,714
US\$	As at 30 September 2012 (unaudited)
Total assets	4,186,713
Total liabilities	1,639,995
Net assets	2,546,718

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group is principally engaged in manufacture and sales of headwear products and sales of licensed products, with customers located in the PRC, Japan, the United States and Europe. The primary reasons for and benefits of the entering into of the Agreement can be summarized as follows:

- (i) upon the Completion and transfer of the Factory and the Land to the Target Company by the Vendors, the Group would be able to utilise the production capacity provided by the Factory to meet the increasing demand from the Group's customers;

- (ii) the Factory would enable the Group to produce headwear products at a lower production cost as compared with those production bases operated in China; and
- (iii) this could broaden the production base of the Group and therefore reduce the Group's reliance in any particular region for its production.

Taking into consideration of the above mentioned reasons and benefits, the Directors consider that the terms of the Acquisition are fair and reasonable and in the interests of the Shareholders as a whole.

LISTING RULES IMPLICATION

As the relevant applicable percentage ratios calculated in accordance with the Listing Rules are less than 5% and the Acquisition involves the issuance of Consideration Shares, the Acquisition constitutes a share transaction pursuant to Rule 14.08 under Chapter 14 of the Listing Rules and is subject to the announcement requirement of the Listing Rules.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms shall have the following meanings:

“Acquisition”	the acquisition by Joyfull from the Vendors of the 80% equity interest in the Target Company as contemplated under the Agreement
“Adjusted Net Asset Value”	the sum of the net asset value as shown in the Completion Accounts and an amount of US\$1,900,000 (which is the agreed value of the Factory and the Land, and it is assumed that the Factory and the Land are not owned by the Target Company on the Completion Date) minus any capital contributed by the Group in form of cash, embroidery sewing machines or other forms of capital
“Agreement”	the agreement entered into between Joyfull and the Vendors dated 18 October 2012 in relation to the Acquisition
“Board”	the board of Directors
“BVII”	a company to be incorporated in the British Virgin Islands and owned by Joyfull and the Vendors as to 80% and 20% respectively

“BVI2”	a company to be incorporated in the British Virgin Islands and a wholly owned subsidiary of BVII
“Completion”	the completion of the Acquisition
“Completion Accounts”	the accounts of the Target Company consisting of a balance sheet and a profit and loss account and accompanying note for the period beginning on the date of incorporation of the Target Company (or any other date as determined by Joyfull) and ending on the Completion Date which shall be reported on by the Qualified Accountants
“Completion Date”	the business day agreed by Joyfull and the Vendors to perform Completion which shall be within 5 business days immediately following the fulfillment (or waiver) of all the conditions precedent (or such other date to be agreed by Joyfull and the Vendors) as set out in the Agreement
“Company”	Mainland Headwear Holdings Limited, a company incorporated in Bermuda with limited liability, the Shares of which are listed on the Stock Exchange
“Consideration”	the consideration for the Acquisition, being US\$1,720,000 (equivalent to approximately HK\$13,381,600)
“Consideration Share(s)”	Share(s) issued and allotted to the Vendors as part of the Consideration
“Deadline”	a period within four months after Completion
“Director(s)”	the director(s) of the Company
“Due Diligence Review”	the due diligence review and investigation that Joyfull is entitled (but not obliged) to carry out on the Target Company including without limitation to its assets, liabilities, contracts, commitments, business, financial, legal and taxation aspects
“Factory”	the factory currently under the operation of the Target Company for the manufacturing of headwear products and owned by one of the Vendors

“Final Settlement Date”	the 10th business day after the Deadline or such earlier date determined by Joyfull and the Vendors if the ownership of the Factory and the Land can be transferred to the Target Company much earlier before the Deadline
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar
“Issue Price”	the issue price of HK\$1.03 per Consideration Share as agreed between the Group and the Vendors pursuant to the Agreement
“Joyfull”	Joyfull International Limited, a company incorporated under the laws of the British Virgin Islands and an indirect wholly owned subsidiary of the Company
“Land”	the parcel of land on which the Factory is currently located and owned by one of the Vendors
“Last Trading Day”	the last day on which the Shares are traded on the Stock Exchange before the publication of this announcement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Qualified Accountants”	an independent accounting firm appointed by Joyfull to report on the Completion Accounts
“Share(s)”	ordinary share(s) of HK\$0.10 each in the capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Unimas Sportswear Ltd., a company incorporated under the laws of Bangladesh
“Tk.”	Bangladeshi Taka, the lawful currency of Bangladesh
“US\$”	United States dollars, the lawful currency of the United States of America

“Vendors”

two of the existing shareholders of the Target Company, each of whom holds 50% equity interest in the Target Company as at the date of this announcement

For the purpose of illustration in this announcement, figures in United States dollars are translated into Hong Kong dollars at the approximate exchange rate of US\$1.00 to HK\$7.78, figures in Bangladeshi Taka are translated into Hong Kong dollars at the approximate exchange rate of Tk. 1.00 to HK\$0.10.

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

Hong Kong, 18 October 2012

As at the date of this announcement, the Board comprises nine directors, of which four are executive Directors, namely Mr. Ngan Hei Keung, Madam Ngan Po Ling, Pauline, Mr. James Scott Patterson and Ms. Maggie Gu; two non-executive Directors, namely Mr. Tse Kam Fow and Mr. Andrew Ngan; and three are independent non-executive Directors, namely Mr. Leung Shu Yin, William, Mr. Lo Hang Fong and Mr. Liu Tieh Ching, Brandon, JP.

* *For identification purpose only*